AUDIT REPORT
ON
THE ACCOUNTS OF
PAKISTAN RAILWAYS
AUDIT YEAR 2018-19

AUDITOR GENERAL OF PAKISTAN

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ABBREVIATIONS & ACRONYMS

ADP	Annual Development Program
AEN	Assistant Executive Engineer
AGM	Additional General Manager
BPS	Basic Pay Scale
CA	Certification Audit
CCM	Chief Commercial Manager
CC&M	Chief Chemist and Metallurgists
CCP	Chief Controller of Purchase
CDL	Central Diesel Locomotive
CEN	Chief Engineer
CFT	Cubic Feet
CSF	Concrete Sleeper Factory
CSR	Composite Schedule of Rates
C&W	Carriage and Wagon
DAC	Departmental Accounts Committee
DAEE	Divisional Assistant Electrical Engineer
DAO	Divisional Accounts Officer
DCP(I)	District Controller of Purchase (Inspection)
DE Locomotive	Diesel Electric Locomotive
DEE	Divisional Electrical Engineer
DEN	Divisional Engineer
DME	Divisional Mechanical Engineer
DP	Draft Para
DPO	Divisional Personnel Officer
DRF	Depreciation Reserve Fund
DS	Divisional Superintendent
DTO	Divisional Transportation Officer
ECNEC	Executive Committee of the National Economic Council
FA&CAO	Financial Advisor and Chief Accounts Officer
FIR	First Information Report
FY	Financial Year
GM	General Manager
HCHW	High Capacity Hopper Wagons
IBU	Infrastructure Business Unit
KDA	Kundian
KRC	Kashmir Railway Private Limited
KUTC	Karachi Urban Transport Corporation

LD	Liquidated Damages
LESCO	Lahore Electric Supply Company
LOCO	Locomotive
MD	Managing Director
MFDAC	Memorandum for Departmental Accounts Committee
MGPR	Mughalpura
MoR	Ministry of Railways
M&S	Manufacturing and Services
NAB	National Accountability Bureau
NBP	National Bank of Pakistan
OTCL	Overseas Trade Corporation Limited
PAC	Public Accounts Committee
PAO	Principal Accounting Officer
PC-I	Planning Commission Proforma-I
PD	Project Director
P&L	Property and Land
PLF	Pakistan Locomotive Factory
PO	Principal Officer
PPRA	Public Procurement Regulatory Authority
PQA	Port Qasim Authority
PRFTC	Pakistan Railways Freight Transportation Company
PR	Pakistan Railways
PRACS	Pakistan Railway Advisory and Consultancy Services Limited
PSDP	Public Sector Development Programme
RAILCOP	Railway Constructions Pakistan Limited
REDAMCO	Railway Estate Development and Marketing Company (Pvt) Limited
RFD	Rehabilitation of Flood Damaged Assets
RR	Rail Renewal
SBP	State Bank of Pakistan
S&C	Survey and Construction
SFT	Square feet
SM	Station Master/Manager
SOP	Standard Operating Procedure
TDRs	Term Deposit Receipt
TLA	Temporary Labour Application

Preface

Articles 169 and 170 of the Constitution of the Islamic Republic of Pakistan 1973, read with Sections 8 and 12 of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001 require the Auditor General of Pakistan to conduct audit of receipts and expenditure of Pakistan Railways and its subsidiaries.

This report is based on audit of the accounts of Pakistan Railways for the financial year 2017-18. Further, this report also includes observations pertaining to previous years which were observed during audit. The Directorate General Audit (Railways), Lahore conducted audit on test check basis during the year 2018-19 with a view to reporting significant findings to the stakeholders. The main body of the Audit Report includes only the systemic issues and audit findings carrying value of Rs 1 million or more. Relatively less significant issues are listed in Annexure - 2 as Memorandum for Departmental Accounts Committee. These shall be pursued with the Principal Accounting Officer at the DAC level and in cases where the PAO does not initiate appropriate action, the audit observations shall be brought to the notice of Public Accounts Committee through next year's Audit Report.

Audit findings indicate need for adherence to the regulatory framework besides instituting and strengthening internal controls to avoid recurrence of similar violations and irregularities.

Observations included in this report have been finalised in the light of departmental replies as well as discussions in the DAC meetings where convened by the PAO.

The Audit Report is submitted to the President of Pakistan in pursuance of Article 171 of the Constitution of the Islamic Republic of Pakistan 1973, for causing it to be laid before both houses of Majlis-e-Shoora [Parliament].

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(Javaid Jehangir)
Dated: 12.02.2019 **Auditor General of Pakistan**

EXECUTIVE SUMMARY

The Director General Audit (Railways) has the mandate to conduct audit of receipts and expenditure of Pakistan Railways and its subsidiaries, viz. Pakistan Railway Advisory & Consultancy Services Limited (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Railway Estate Development & Marketing Company (Pvt) Limited (REDAMCO), Kashmir Railway Private Limited (KRC) and Karachi Urban Transport Corporation (KUTC). This office conducts regularity audit (financial and compliance with authority audit) and performance audit of the projects run by the Ministry of Railways. Audit of receipts and expenditure was carried out on test check basis in accordance with audit methodology envisaged in Financial Audit Manual. Audit was carried out with human resource of 166 officers and staff, utilising 41,331 mandays, with annual budget amounting to Rs 179.50 million. Meetings of DAC were held to discuss audit observations for the finalisation of this report.

PR is a state managed commercial organisation with a mission "to provide a competitive, safe, reliable, market oriented, efficient and environment friendly mode of transport". It comprises three functional units:

i) Operations
ii) Manufacturing & Services
iii) Welfare and Special Initiatives

Each unit is headed by a General Manager. Major portion of earnings of PR comes from passenger and freight traffic. Other sources of earnings include leasing of surplus Railway land for commercial and agricultural purposes.

a. Scope of Audit

Out of total expenditure and revenue of Federal Government for the financial year 2017-18, auditable expenditure and revenue under the jurisdiction (Ministry of Railways including its subsidiaries) of DGAR was Rs 123,350.16 million and Rs 50,000 million respectively covering 01

PAO comprising 227 formations. Of this, DGAR audited expenditure and revenue of Rs 59,793.48 million and Rs 10,769.27 million respectively which, in terms of percentage is 48.47 % of auditable expenditure and 21.54 % of revenue. In addition, DGAR conducted performance/special audit of 06 projects/formations.

b. Recoveries at the instance of Audit

Recovery of Rs 44,627.98 million was pointed out, out of which recovery of Rs 2,344.01 million was effected during the year 2018 at the time of compilation of Report. Out of the total recoveries, Rs 10.28 million was not in the notice of the executive before audit.

c. Audit Methodology

The audit methodology included examination of relevant files/documents, review of financial data, site visits and discussions with management.

d. Audit Impact

On the pointation of Audit, the Railway management implemented procedure for securing performance guarantee on civil works in line with PPRA Rules. Moreover, Railway management implemented revalidation of administrative approval in respect of all left over civil works during a financial year in terms of para 1108 of Pakistan Railways Engineering Code. Further, owing to audit qualification imposed on previous years' financial statements of PR regarding "Overstatement of current assets without any commitment from Finance Division valuing Rs 13,901.004 million" management has taken corrective measures by reversing and writing off the said amount.

e. Comments on Internal Controls and Internal Audit Department

The Principal Accounting Officer in conjunction with the Internal Audit organisation is responsible for ensuring that a proper system of internal controls exists within the entity. Audit observed certain lapses in internal controls regarding security arrangements, inventory management, budgetary controls, receivables management, assets management and human resource management etc. A number of observations on weak internal controls are included in this Audit Report.

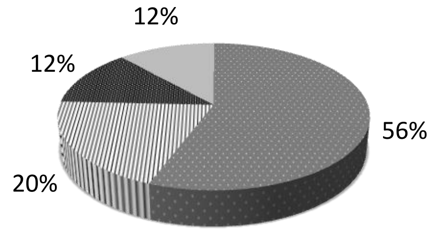
There is an Internal Audit organisation headed by a BPS-20 officer working directly under the Secretary, Ministry of Railways. Internal Audit has started preparing bi-annual report embodying audit observations issued to the offices audited by it. Statutory Audit found that the offices which were audited showed poor response towards internal audit. The follow-up of internal audit reports was done through reminders but pace of compliance of the recommendations by the organisation was found inadequate. Resultantly, the issues pointed out by the Internal Audit in its reports from the year 1999-2000 onwards remained unaddressed.

f. The key audit findings of the report;

Audit findings categorized in four major areas are depicted in the following pie chart along with the total amount of each sector.

Para wise detail of the same is shown in Annexure - 1.

Breakup of Railways Audit Report 2018-19
(Para wise detail in Annexure-1)



- **Issues Related to Railways Land Rs 55,608.06 million (56%)**
- **Recoverables Pointed out by Audit Rs 19,884.50 million (20%)**
- **Issues Related to PSDP Projects Rs 12,529.09 million (12%)**
- **Others including theft, embezzlement and blockage of capital Rs 11,629.93 million (12%)**

The description is elucidated in the following manner:

i. Encroachment of Railway land valuing Rs 51,183.07 million [1]

ii. Short and non-recovery of Rs 14,974.40 million [2]

iii. Mismanagement in CPEC project valuing Rs 10,478.00 million [3]

iv. Loss of Rs 3,999.25 million due to non-auction/construction of vending stalls, parking stands, shops and land [4]

v. Irregular award of contracts amounting to Rs 3,790.73 million in violation of PPRA Rules [5]

vi. Loss of Rs 3,231.00 million due to non-revision of rental charges in accordance with policy [6]

vii. Non-recovery of Rs 2,638.04 million on account of maintenance charges of sidings and level crossings [7]

viii. Non-disposal of scrap valuing Rs 2,006.49 million [8]

ix. Loss of Rs 1,775.01 million on account of inordinate delay in repair of locomotives and coaches [9]

x. Non-replacement and acceptance of material of wrong specifications or having defects worth Rs 497.22 million [10]

xi. Shortage in supply of spare parts valuing Rs 419.90 million [11]

xii. Bogus expenditure of Rs 388.12 million on account of repair of coaches [12]

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[1]Para 2.4.67 & 2.4.68
[2]Para 2.4.52, 2.4.53 & 2.4.71
[3]Para 2.4.38
[4]Para 2.4.54 & 2.4.60
[5]Para 2.4.12, 2.4.16, 2.4.22 & 2.4.28
[6] Para 2.4.55
[7]Para 2.4.56
[8] Para 2.4.39
[9]Para 2.4.40
[10]Para 2.4.65 & 2.4.70
[11]Para 2.4.15
[12]Para 2.4.1

xiii. Non-recovery of Rs 380.00 million from contractors on account of Withholding Income Tax and Sales Tax [13]

xiv. Acceptance of material valuing Rs 253.53 million without trial and test [14]

xv. Extra consumption of fuel in excess of fixed quota amounting to Rs 221.92 million [15]

xvi. Splitting up of works and procurement amounting to Rs 192.56 million [16]

xvii. Blockage of capital due to unnecessary procurement of material worth Rs 190.97 million [17]

xviii. Loss of Rs 152.25 million due to award of contracts at exorbitant rates [18]

xix. Theft and misappropriation of Railway material valuing Rs 91.71 million [19]

xx. Utilisation of PSDP funds amounting to Rs 89.72 million against revenue work [20]

xxi. Non production of record in five cases [21]

Recommendations

i. Management should retrieve all encroached land, besides taking necessary corrective action in respect of title of land.

ii. Recovery policy should be reinforced for speedy realisation of Railways' receipts such as lease charges, rental charges and maintenance charges of level crossings.

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[13] Para 2.4.57
[14] Para 2.4.45 & 2.4.58
[15] Para 2.4.42
[16] Para 2.4.17
[17] Para 2.4.43
[18] Para 2.4.59
[19] Para 2.4.2, 2.4.6 & 2.4.10
[20] Para 2.4.21
[21] Para 2.4.11

iii. Expedient disposal of piled up scrap be ensured.

iv. Improvement in contract management be made to safeguard Railways' interest.

v. Procurement of material and execution of works should be well planned to avoid unnecessary piling up of inventory and delay in completion of works.

vi. Public Procurement Rules should be observed in letter and spirit while awarding contracts and making procurements.

vii. Deduction of Withholding Income Tax and Sales Tax be ensured.

viii. Short supplied / defective material be got recouped immediately.

ix. Embezzlement of Railway revenue and shortage/theft of material be investigated appropriately for fixing responsibility and taking remedial measures to avoid recurrence.

x. Strengthening of security arrangements be considered to safeguard Railway land and other physical assets.

xi. Disciplinary action be initiated against the persons responsible for non-production of record to ensure timely provision of auditable record in future.

xii. Inquiries either directed by DAC or otherwise be processed and finalised at the earliest.

xiii. Utilisation of funds be ensured for the purpose these are allocated.

SUMMARY TABLES

Table 1 Audit Work Statistics

(Rs in million)

Sr. #	Description	No.	Expenditure/Revenue
1	Total Entities (Ministries/PAOs) in Audit Jurisdiction *	1	173,350.16
2	Total formations in Audit Jurisdiction	227	173,350.16
3	Total Entities (PAOs) Audited	1	*173,350.16
4	Total formations audited **	72	70,562.75
5	Audit & Inspection Reports	72	***263,157.71
6	Performance/Special Audit Report	6	47,008.69

* It includes expenditure and revenue of PR and its subsidiaries i.e. RAILCOP, PRACS, REDAMCO, KUTC, PRFTC and KRC.

** All 72 formations planned in Audit Plan were audited, thus 100% Audit Plan coverage was achieved.

*** This also includes observations on items having no budgetary outlay and amounts pertaining to previous years such as land, scrap, project earnings etc.

Table 2 Audit Observations Regarding Financial Management

(Audit Report 2018-19)

(Rs in million)

Sr. #	Description	Amount Placed Under Audit Observation
		2018-19
1	Unsound Asset Management	54,632.52
2	Weak Financial Management	740.19
3	Weak Internal Controls Relating to Financial Management	33,566.28
4	Others	11,880.88
Total		**100,819.87**

Table 3 Outcome Statistics
(Audit and Inspection Reports Jan-Dec, 2018)

(Rs in million)

Sr. No.	Description	Expenditure on Acquiring Physical Assets (Procurement)	Civil Works	Receipts	Others	Total current year	Total last year
1	Outlays Audited	16,141.94	18,772.24	12,436.87	23,211.69	70,562.75	53,974.77
2	Monetary Value of Audit Observations	777.80	25,181.93	78,295.72	158,902.26	263,157.71	148,131.23
3	Recoveries Pointed Out at the instance of Audit	290.34	8,831.76	31,658.77	3,847.11	44,627.98	35,195.11
4	Recoveries Accepted/ Established at the instance of Audit		8,831.76	15,064.28	2,105.496	26,001.54	5,048.83
5	Recoveries Realised at the instance of Audit		-	2,306.93	37.08	2344.01	2,034.41

Table 4 Irregularities Pointed Out
(Audit and Inspection Reports Jan-Dec, 2018)

(Rs in million)

Sr. No.	Description	Amount placed under Audit observation
		2018-19
1	Violation of Rules and regulations as well as principle of propriety and probity in public operations.	120,489.09
2	Reported cases of fraud, embezzlement, thefts and misuse of public resource.	79.423
3	Accounting Errors (accounting policy departure from NAM, misclassification, over or understatement of account balances) that are significant but are not material enough to result in the qualification of audit opinions on the financial statements.	847.83
4	Weaknesses of internal control systems.	61,406.85
5	Recoveries and overpayments, representing cases of established overpayment or misappropriations of public monies.	26,001.54
6	Non-production of record	243.11
7	Others, including cases of accidents, negligence etc.	54,089.87

Table 5 Cost-Benefit

(Rs in million)

Sr. No.	Description	Amount	
		2017-18	2016-17
1	Outlay audited	70,562.75	53,974.77
2	Expenditure on audit	179.50	160.93
3	Recoveries realised at the instance of audit *	2,344.01	2,034.41
4	Cost-Benefit Ratio	1:13.05	1:12.64

* The amount also includes recovery relating to previous Audit Reports which was verified during January to December, 2018.

Chapter 1 Pakistan Railways

1.1 INTRODUCTION

Pakistan Railways is a state enterprise with a mission “to provide a competitive, safe, reliable, market oriented, efficient and environment friendly mode of transport”. It is managed by the Railway Board. The Secretary, Ministry of Railways is the Principal Accounting Officer and also ex-officio Chairperson of the Railway Board. The affairs of Pakistan Railways are administered by the following authorities.

i. CEO/Senior General Manager
ii. GM/Manufacturing
iii. GM/Welfare and Special Initiatives

The core functions of Railway operations is administered by the Chief Executive Officer/Senior General Manager, who is assisted by three Additional General Managers in infrastructure, Mechanical and Traffic units besides the Principal Officers of respective departments. There are seven operational divisions viz Peshawar, Rawalpindi, Lahore, Multan, Sukkur, Karachi, Quetta and one Workshop Division at Mughalpura Lahore. Each division is administered by a Divisional Superintendent (DS). The Divisional Superintendent is assisted by Divisional Officers of each discipline like Civil, Mechanical, Electrical, Signal, Telecom Engineering, Traffic, Commercial and Personnel etc. Besides this, Divisional Accounts Officer, Divisional Medical Officer and Superintendent Railway Police also assist him in their respective field. Likewise, manufacturing unit is headed by the General Manager who is assisted by MD/Locomotive Factory Risalpur, MD/Carriage Factory Islamabad and MD/Concrete Sleeper Factory Lahore.

The welfare activities of Pakistan Railways are administered by the GM/Welfare and Special Initiatives (W & SI), who is assisted by Director General/Pakistan Railway Academy Walton, Director Education and Chief Health & Medical Officer.

The administrative head of the Railway Accounts Department is Member Finance in the Railway Board who is assisted by three Financial

Advisors & Chief Accounts Officers. Moreover, there is a Chief Internal Auditor who heads the Internal Audit Wing and reports directly to the Principal Accounting Officer.

Pakistan Railways Advisory & Consultancy Services (PRACS), Railway Constructions Pakistan Limited (RAILCOP), Railways Estate Development & Marketing Company (REDAMCO) and Karachi Urban. Transport Corporation (KUTC), Pakistan Railway Freight Transport Company (PRFTC) and Kashmir Railway Private Limited (KRC) are subsidiaries of PR. Each company is headed by a Managing Director.

PRACS was established in 1976 as a public limited company. Its main objectives are to prepare the feasibility reports for new Railway lines and render technical assistance in connection with the designing, modernization and maintenance of Railway installations, workshops, bridges and rolling stock. Presently, its main activities are sale of Railway tickets and managing certain trains on joint venture basis. RAILCOP was established in 1980 as a public limited company. Its main objective is to develop and upgrade Railway infrastructure. KUTC was established in 2008 with the main objective to provide local train facility to the general public of Karachi. REDAMCO was established in 2012. Its main objective is to develop and market Railways estate.

PRFTC (Pakistan Railway Freight Transport Company) was established on 8th Jan, 2015 with the objective to explore avenues of public private partnership and to enter into joint venture with private entities, domestic as well as international, for procurement of rolling stock (locomotives & hoppers wagons) or to bring in any other private investment in Railway system as and when required. (KRC) Kashmir Railway Private Limited was established in 2015 to complete feasibility study and PC-I for the Rail link between Islamabad to Muzzafrabad via Murree.

1.2 Comments on Budget & Accounts

Pakistan Railways prepares two sets of accounts, one on commercial basis and other on the basis of State Railway General Code Volume-I and Pakistan Government Railway Code (Part-I) for the Accounts Department.

1.2.1 Comparison of Allocated Budget of Ministry of Railways (excluding subsidiaries) with Actual Expenditure - Financial Year 2017-18

(Rs in millions)

Items	Original Allocation	Supplementary Allocation (Surrender)	Final Allocation	Actual Expenditure	Variation Excess/ (Saving)	Variation %age
Grant No. 092 Revenue Expenditure						
Voted	88,500.00	-1,500.00	87,000.00	85,819.32	-1,180.67	-1.36
Charged	1,500.00	0	1,500.00	683.33	-816.66	-54.44
Total	**90,000.00**	-1,500.00	**88,500.00**	**86,502.66**	**-1,997.34**	-2.26
Grant No.147 Capital Outlay on Pakistan Railways						
Voted (Capital)	42,900.00	-20,879.86	22,020.13	14,683.26	-7,336.87	-33.32
Total	**42,900.00**	**-20,879.86**	**22,020.13**	**14,683.26**	-7,336.87	-33.32
Grand Total	**132,900.00**	**-22,379.86**	**110,520.13**	**101,185.92**	**-9,334.21**	-8.45

The comparison between allocated budget and actual expenditure clearly showed that the actual expenditure incurred under “voted” portion of Revenue Grant was less than the final allocation and there was saving of Rs 1,180.67 million (1.36%). The expenditure incurred under “Charged” portion amounted to Rs 683.33 million and there was saving of Rs 816.66 million (54.44%) even though liability on account of interest on overdraft and foreign loans was outstanding. The overall saving under both heads of Revenue Grant was 2.26%.

The actual expenditure of Capital outlay on Pakistan Railways under Capital head was less than the final allocation which resulted in saving of Rs 7,336.87 million i.e. 33.32%.

This state of affairs indicates failure on the part of management for non utilisation of the allocated budget.

1.2.2 Comparative Analysis of Accounts of Financial Year 2017-18

Para 4.3.3.1 of the Accounting Code for Self - Accounting Entities stipulates that all revenue receipts will be accounted for on cash received basis whereas Pakistan Railways recognises its earning on accrual basis, and all expenses on cash basis.

Profit & Loss Account:

(Rs in million)

Particulars	2017-18	2016-17	2015-16	Variation Increase (Decrease)	Variation (%)
1	**2**	**3**	**4**	**5 (2-3)**	**6**
Gross Earnings	49,569.68	40,064.94	36,581.86	9,504.74	23.72
Total Working Expenses	85,514.38	80,381.36	63,154.63	5,133.02	6.39
Operating Surplus/ Loss	**-35,944.70**	**-40,316.42**	**-26,572.77**	**4,371.72**	**-10.84**
Interest on Debt	-683.34	-403.11	-422.02	-280.23	69.52
Miscellaneous Receipts	5.99	17.74	1.7	-11.75	-66.23
Net Profit / (Loss)	**-36,622.05**	**-40,701.79**	**-26,993.09**	**- 4,079.74**	**-10.02**

The profit & loss account indicated that:

i) Total operational working expenses amounting to Rs 85,514.38 million were much higher than the gross earnings of Rs 49,569.68 million. Gross earnings had increased as compared to previous years but still difference between working expenses and gross earnings was quite high which resulted in operational loss of Rs 35,944.70 million i.e. 42.03%.This indicated that Railway administration could not achieve the target of zero operating deficit.

ii) Interest on overdraft and foreign loans was paid by the management of Pakistan Railways amounting to Rs 683.34 million which represents a sharp increase of 69.5% over the previous year.

iii) Pakistan Railways suffered a net loss of Rs 36,622.05 million. To cover the loss, Federal Government provided Grant-in-Aid amounting to Rs 38,397.80 million which was in excess of the loss. The balance amount of Grant-in-Aid i.e. Rs 1,775.75 million was not remitted to the Federal Government and was instead transferred to the Railway Reserve Fund.

Balance Sheet:

(Rs in million)

Particulars	2017-18	2016-17	2015-16	Variation	
				Increase/ (Decrease)	Percentage %
1	2	3	4	5 (2-3)	6
Liabilities					
Capital & Net Worth	198,720.98	180,095.80	144,220.60	18,625.18	10.34
Revenue Reserves	59,260.56	54,039.44	58,437.14	5,221.12	9.66
Long Term Liabilities	73,630.19	70,484.04	69,818.74	3,146.15	4.46
Current Liabilities	16,506.37	12,414.60	10,128.09	4,091.77	32.96
Total Liabilities & Capital	**348,118.10**	**317,033.88**	**282,604.57**	**31,084.22**	**9.80**
Assets					
Fixed Assets	150,518.84	141,661.96	102,270.11	8,856.88	6.25
Deferred Assets	128,891.15	119,669.55	95,735.30	9,221.60	7.71
Current Assets	68,708.12	55,702.37	84,599.16	13,005.75	23.35
Total Assets	**348,118.11**	**317,033.88**	**282,604.57**	**31,084.23**	**9.80**

The figures in balance sheet were reflective of the following:

i) Capital & Net Worth increased by Rs 18,625.18 million (10.34%) over the preceding year. The increase was due to booking of investment amount made by the Federal Government through cash release for development programmes which was provided in addition to Grant-in-Aid.

ii) Revenue Reserves increased by Rs 5,221.12 million (9.66%) over the preceding year. The increase was due to booking of excess amount of Grant-in-Aid by Federal Government to meet operational shortfall and increase in investment made by Federal Government on Replacement account i.e. Depreciation Reserve Fund.

iii) Fixed Assets increased by Rs 8,856.88 million (6.25%) over the preceding year. The increase was due to booking of Federal Government Investment on Capital Account.

iv) Deferred Assets increased by Rs 9,221.60 million (7.71%) over the preceding year. The increase was due to wrong booking of Federal Government Investment on Replacement Account under depreciation reserve fund and under head, “Deferred Assets”.

1.2.3 Comments on the Financial Statement of RAILCOP

Profit & Loss Account:

(Rs in millions)

VARIATION & PERCENTAGES OF PROFIT AND LOSS ACCOUNT OF RAILCOP					
Particulars	**Note**	**2017-18 (Rs)**	**2016-17 (Rs)**	**Variation**	**% age**
Revenue	22	2009.15	2451.30	-442.2	-18.04%
Cost		1512.13	1833.91	-321.8	-17.55%
Gross Profit	23	**497.02**	**617.39**	**-120.4**	**-19.50%**
Admin Expense	24	38.43	38.48	-0.05	-0.14%
Operating Profit		**458.58**	**587.91**	**-129.3**	**-22.00%**
Finance Cost		2.10	5.64	-3.55	-62.83%
Other Income	25	71.80	27.16	44.64	164.34%
Profit before Tax		**528.29**	**600.44**	**-72.15**	**-12.02%**
Tax	26	96.69	149.68	-52.99	-35.40%
Profit after Tax		**431.60**	**450.76**	**-19.16**	**-4.25%**
EPS	27	21.58	22.54	-0.96	-4.26%

The figures depicted in the profit and Loss account indicated the following facts:

i. As per International Standards on Auditing applicable in Pakistan, ISA-19, benefits regarding retirement of employees must be properly disclosed in financial statements. This was not adopted by PR during the preparation of financial statements for the year 2017-18. The same qualification has been reported by chartered accountant

ii. Revenue earned during the financial year 2017-18 has been decreased by 18.04% as compared to revenue in financial year 2016-17 which is an alarming sign for the company and needs immediate attention.

iii. Gross profit for the Year 2017-18 has been reduced by 19.50% which indicates weak control over cost management and needs remedial measures.

iv. As per note 25 in the financial statements regarding “Other Incomes” the amount has increased from Rs 27.16 million to

Rs 71.80 million (164.34%) during the financial year 2017-18. Despite this fact the amount of profit before tax has reduced from Rs 600.44 million to Rs 528.29 million i.e. 12.01% indicating that company did not generate revenue internally.

VARIATIONS & PERCENTAGES OF BALANCE SHEET OF RAILCOP					
Particulars	**Notes**	**2017-18**	**2016-17**	**Variation**	**%age**
Property, plant and equipment	**5**	74.95	77.32	-2.37	-3.07%
Receivable from joint ventures	**6**	1.30	1.30	-	0.00%
Long term Advances	**7**	2.75	3.35	-0.60	-17.84%
Store. Spare parts and loose tools	**8**	21.76	11.30	10.46	92.58%
Stock in trade	**9**	614.22	318.66	295.56	92.75%
Work in process		3.69	-	3.69	0.00%
Contract receivables	**10**	819.67	516.17	303.49	58.80%
Due from customer for construction work	**11**	379.73	122.23	257.49	210.66%
Advances -considered good	**12**	152.09	66.09	86.00	130.13%
Security deposits, retention money and prepayment	**13**	303.19	266.00	37.34	14.05%
Accrued interest		0.65	0	0.19	43.33%
Other receivables	**15**	8.44	10.00	-1.99	-19.12%
Advance tax		505.30	408.00	97.05	23.77%
Investment	**14**	165.97	151.40	14.57	9.62%
Bank Balance	**16**	684.97	1,325.96	-640.98	-48.34%
Issued capital	**17**	200.00	200.00	-	-
Reserves	**18**	2,759.48	2,327.88	431.60	18.54%
Equity		2,959.48	2,527.88	431.60	17.07%
Employee benefits	**19**	50.64	41.81	8.83	21.12%
Trade and other payables		138.09	171.72	-33.63	-19.58%
Retention money		70.87	67.40	3.46	5.14%
Mobilisation Advances		7.43	46.67	-39.24	-84.08%
Provision for taxation	**20**	512.15	423.261	88.89	21.00%

i. Return on capital employed has declined by 3.21% which shows that capital has not been utilised fully. It’s a daunting situation for the organization.

ii. Return on equity has been reduced from 17.55% to 14.34% during the financial year 2017-18 which indicates that company is not able to generate cash internally and needs to reassess its investment decisions.

iii. As per note 8 & 9 in the financial statements under the head " Store, Spare Parts &Loose Tools and Stock in Trade" the amount has increased from Rs 329.96 million to Rs 635.97 million which indicates that the company has ineffective control over the management of current assets

iv. As per note 10 & 11 in the financial statements the amount under the head "Contract Receivables and Due from customers for Construction Work" has increased from Rs 638.40 million to Rs 1,199.39 million which shows that the company has weak control over collecting receivables from different sources and needs remedial measures.

v. Debtor turnover ratio has reduced from 3.78 times to 1.66 times which is an alarming situation for company. This decrease in debtor turnover ratio indicates that collection management is weak and needs to increase number of collections made from debtors to avoid bad liquidity position.

vi. Stock turnover ratio has decreased from 5.56 times to 2.36 times which needs immediate attention because decrease in stock turnover ratio ultimately adversely affects the profitability ratios.

1.2.4 Comments on the Financial Statements of REDAMCO

Profit & Loss Account:

(*Rs in million*)

VARIATIONS & PERCENTAGES OF PROFIT AND LOSS ACCOUNT OF REDAMCO					
Particulars	**Note**	**2017-18 (Rs)**	**2016-17 (Rs)**	**Variation**	**% age**
Revenue	17	85.85	102.81	-16.96	-16.50%
Admin Expense	18	78.69	75.17	3.52	4.68%
Marketing Expense	18	5.78	18.31	-12.53	-68.43%
Profit before Tax		1.37	9.33	-7.96	-85.32%
Tax	20	1.37	1.77	-0.4	-22.60%
Profit after Tax		0	7.5	-7.5	-100.00%

The figures depicted in the profit and loss account indicated the following facts:

i. Revenue earned during the financial year 2017-18 has decreased by 16.50% as compared to financial year 2016-17 which needs immediate attention.

ii. Net profit for financial year 2017-18 has been reduced to 0% which indicates poor control over cost management. It is an alarming situation for the organization and needs immediate attention.

iii. The administrative cost includes the Staff salary and Entertainment and has increased by 4.68% that indicates over staffing and wasteful expenditure on non-productive activities

iv. As per note 8 of the financial statement under head "income tax refund due from the Government" the amount increased from Rs 24.72 million to Rs 27.70 million which is alarming for the company. The refund should be collected timely from the government to avoid its further accumulation.

Balance Sheet

The figures depicted in the Balance Sheet indicated the following facts:

(*Rs in million*)

VARIATIONS & PERCENTAGES OF BALANCE SHEET OF REDAMCO					
Particulars	**Notes**	**2017-18**	**2016-17**	**Variation**	**%age**
Fixed Assets	**5**	11.89	11.58	0.31	2.68%
Long term Loans	**6**	3.14	2.42	0.71	29.52%
Advances, Deposits, Prepayments and Others	**7**	91.17	50.74	40.42	79.67%
Tax refund due from the Government	**8**	27.70	24.72	2.98	12.04%
Deferred tax Assets	**14.3**	1.00	1.16	-0.31	-26.40%
Investment	**9**	-	25.93	-25.93	-100.00%
Bank Balance	**10**	180.69	50.79	129.90	255.79%
Issued capital	**11**	0.10	0.10	-	0.00%
Un-appropriated profit		7.57	7.54	0.03	0.35%
Equity	**12**	4.90	4.90	-	0.00%
Non-current liabilities	**13&14**	12.38	10.11	2.27	22.44%
Current liabilities	**15**	290.49	144.69	145.80	100.77%
Current Assets		300.41	153.34	147.07	95.91%

The figures depicted in the Balance Sheet indicated the following facts:

i. Return on capital employed has declined from 41.18% to 5.49% during financial year 2017-18 which suggests that the overall profitability of company after factoring in the amount of capital used is not good and it's a serious situation for the company.

ii. Return on equity has reduced from 60.22% to 0% during the financial year 2017-18 which indicates that company is not able to generate cash internally and needs to reassess its investment decisions.

iii. Debt to equity ratio has doubled during the financial year 2017-18 which indicates that the company is focusing more on debts as compared to equity financing and needs immediate attention because this also increase finance cost which ultimately reduces profit.

iv. As per note 7 of the financial statement amount under the head "Advances, Prepayments and Receivables" has increased from Rs 50.74 million to Rs 91.17 million i.e. 79.67%. The major increase is due to advances to Pakistan Railways and construction cost of shops. This abnormal increase has adverse effect on liquidity ratio.

1.2.5 Comments on the Financial Statement of PRACS, KRC and PRFTC

The annual accounts/Financial Statements of Pakistan Railway Advisory and Consultancy Services, Kashmir Railway Company, and Pakistan Railway Freight Transport Company for the year of 2017-18 have not been audited/verified by auditors M/s Horwath Hussain Chaudhary & Company and M/s Fazal Mahmood & Company respectively. Hence accounts for the FY 2017-18 pertaining to these companies were not provided to audit. Therefore, no comments could be offered.

1.3 Brief Comments of the Status of Compliance with PAC Directives

Sr. #	Audit Year	Total Paras	Total No. of Actionable Points	Compliance received	Compliance not received	% of Compliance
1	1985-86	34	34	22	12	65%
2	1986-87	29	29	25	4	86%
3	1987-88	31	31	19	12	61%
4	1988-89	19	19	10	9	53%
5	1989-90	41	41	27	14	66%
6	1990-91	42	42	38	4	90%
7	1991-92	36	36	23	13	64%
8	1992-93	99	13	07	09	31%
9	1993-94	67	67	49	18	73%
10	1994-95	123	123	79	44	64%
11	1995-96	153	21	13	8	62%
12	1996-97	65	05	0	5	0%
13	1997-98	56	07	07	0	100%
14	1998-99	50	28	03	25	11%
15	1999-00	58	56	32	24	57%
16	2000-01	48	48	28	20	58%
17	2001-02	28	28	11	17	39%
18	2003-04	24	11	03	08	27%
19	2004-05	22	22	15	7	68%
20	2005-06(A)	46	46	30	16	65%
21	2006-07	34	34	18	16	53%
22	2007-08	68	29	07	22	24%
23	2008-09	101	101	47	54	47%
24	2009-10	151	08	01	07	13%
25	2013-14	59	02	0	02	0%

The pace of compliance of PAC directives is very slow which needs to be improved.

Chapter - 2 Public Financial Management Issues

The following significant paras emerging from the Management Letter as a result of Certification Audit have been issued to Secretary/Chairperson MoR, Islamabad and Financial Advisor & Chief Accounts Officer, Pakistan Railways, Lahore.

2.1 Audit Paras

2.1.1 Incorrect valuation of Fixed Assets due to non-recognition of Depreciation, Additions/ Disposals and Losses

As per Appendix XX (revised edition) of Pakistan Government Railways Code for the Accounts Department, depreciation on property, plant and equipment is charged to income on the straight line method so as to write off the depreciable amount of an asset over its estimated useful life at the prescribed rates. Depreciable amount, useful life and depreciation methods are reviewed and adjusted if appropriate, at the statement of financial position. Depreciation on addition is charged from the month, the assets become available for use while no depreciation is charged for the month in which an asset is derecognized.

During review of the Commercial Accounts of Pakistan Railways as on 30th June, 2018 and respective notes thereon, it was observed that all fixed assets in the balance sheet were shown at their original/historic cost instead of depreciated cost. Furthermore, if any asset was disposed off by sale, obsolescence or damaged due to accidents or any other contingencies, its value was not deducted from the total assets appearing in the Balance Sheet. As the entity was not charging depreciation on fixed assets and proper record of assets was not being maintained over the system, therefore, assets were being overstated

It is further added that capital replacement /improvement was not being added to the relevant head of fixed asset which resulted in under valuation of fixed assets.

The matter was discussed in DAC meetings held on 20th November, 2018, DAC was informed that fixed asset register had been designed under financial information system/management information system and the depreciation is being calculated on three years back data by the asset section. DAC directed that corrective action may be taken to rectify the errors instead of waiting for implementation of the project of financial information system/management information system.

Therefore, audit recommends that fixed assets should be revalued immediately at depreciated cost or as per revaluation criteria. Moreover, fixed assets register should be maintained as a permanent record of assets.

2.1.2 Less recovery /adjustment of advances for local purchase, utility charges from employees – Rs 1,502.15 million

As per Para 1601 of Pakistan Government Railway Code for the Accounts Department (Part-I) every balance should be proved each month as far as possible, i.e., it should be compared and reconciled with other parts of the accounts where the figures appear, and it should be seen that the total is supported by details, and that the items are current and efficient. The proof of the balances at the end of each financial year must be complete. Furthermore, section 16.4.2.1 of Accounting Policies and Procedure Manual stipulates that the suspense account should be cleared on monthly basis

During the course of audit it was observed that an amount of Rs 1,502.15 million had been shown as outstanding balance under suspense heads as on 30th June, 2018. This amount had accumulated over the years. The balance lying under this head was Rs 1,097.19 million in 2005-06 which had increased by 36.90% up to 30th June, 2018. The major cause of increasing balances under suspense heads was less recovery of utility charges from consumers.

The matter was discussed in DAC meeting held on 20th November, 2018, DAC was informed that it was a regular feature and efforts were being made to reduce the advances for local purchase. During 2017-18 an amount of Rs 112.94 million was adjusted more as compared to the FY 2016-17. DAC directed to examine the issue seriously and to take prompt steps to minimise balances under suspense heads.

Audit recommends that meaningful efforts be made for prompt adjustment and recovery of amounts held under the suspense head and to clear this amount on monthly basis and finally at year end.

2.1.3 Non-reflection of accrued liability on account of interest and exchange risk premium

International Accounting Standard 1provides that the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework. Economic Affair Division after taking foreign loans from donor agencies re-lends these to Pakistan Railways at 8% interest rate and 6% exchange risk premium.

During the course of audit, it was observed that closing balances of foreign loans and credits under heads of PSDP grant and Replacement/Improvement account did not include the amount of interest and exchange risk premium at the rate of 8% and 6% respectively accrued as on 30th June, 2018. Balances were reflected in the accounts using principal amount only. This resulted in incorrect position of foreign loans/credits in the balance sheet.

The matter was discussed in DAC meeting held on 20th November, 2018. DAC found the qualification valid. DAC directed to take prompt steps to rectify the accounts and to show the amount of interest in Balance Sheet as accrued liability.

Audit recommends that the amount of interest and exchange risk premium should be shown as a part of foreign loan in Balance Sheet.

2.1.4 Overstatement of Assets and Liabilities due to double booking of Federal Government Investment on replacement/renewal account – Rs 9,221.60 million

International Accounting Standard 1 provides that the financial statements must "present fairly" the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the framework.

Review of financial statements for the FY 2017-18 revealed that Federal Government investment on replacement account was being booked under Depreciation Reserve Fund on Liability side of Balance Sheet. Audit disagrees with the policy, practice as well as presentation of the said amount under Depreciation Reserve Fund as it results in double booking of this amount. The amount under this head was first booked as “Investment by Government” in the Balance Sheet and then again under Depreciation Reserve Fund. On the other hand, Deferred Assets presented in Balance Sheet was just a contra account and was created to offset the wrong accounting treatment of Government investment under the head Depreciation Reserve Fund. The amount under this head was also increased by Rs 9,221.60 million incorrectly. This practice is against the reporting standards.

The matter was discussed in DAC meeting held on 20th November, 2018. DAC was informed that under the existing accounting procedure, to reflect the correct figure of each head, the receipt on account of Federal Government Investment and Replacement account were booked to their respective heads. DAC directed that corrective action may be taken to rectify the errors in Financial Statements.

Audit recommends that corrective action be taken to rectify the errors. Moreover, deferred assets account should immediately be removed and the expenditure incurred to-date on addition, replacement and rehabilitation should form part of the tangible assets.

2.1.5 Non-realisation of Bills Receivable – Rs 4,302.27 million

Para 316 (a) of Pakistan Government Railway Code for the Accounts Department provides that the amounts due to Pakistan Railways for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due.

The position of Bills Receivable of Pakistan Railways as on 30th June, 2018 was Rs 4,302.27 million (2016-17: Rs 3,894.58 million) as per financial statements but no efforts appear to have been made by the management to realise long outstanding Receivables ranging from 1967-68 to 2017-18. Further, an amount of Rs 298 million of undeclared dividend was shown under the head “Bills Receivables” irregularly. During resolution No. 4/2016 dated 22.06.2016 the Chairperson Railways and member Finance of Railways had desired that RAILCOP should pay Rs 300 million as dividend to Pakistan Railways. Based on this proposal an amount of Rs 300 million was reflected in annual accounts of Pakistan Railways on commitment basis unjustifiably. Only Rs 2 million dividend was received from RAILCOP on 18.11.2016 and remaining amount of Rs 298 million was not declared by BoD of RAILCOP. Therefore, reflection of Rs 298 million as Receivables in PR accounts for the year 2017-18 was unjustified and incorrect. This resulted in overstatement of financial statements for the year 2016-17 and 2017-18. Similarly an amount of Rs 448.274 million being shown in Stores account was to be recovered from different firms on different accounts. However, the amount had not been accounted for in Appropriation Account as Receivables.

The matter was discussed with the management on 27.11.2018. Who replied that Bills receivable is also a regular feature and efforts were always made to minimise bills receivable as much as possible.

Audit recommends that since the balances under Bills Receivables had an increasing trend for the last many years, it needs to be controlled. The non- realisation of receivable amount does not show healthy financial position and sooner or later it may convert into bad debts.

2.1.6 Unnecessary accumulation / non-adjustment of Suspense Balances – Rs 10,413.39 million

As per Para 1601 of Pakistan Government Railway Code for the Accounts Department (Part-I) every balance should be proved each month as far as possible, i.e., it should be compared and reconciled with other parts of the accounts where the figures appear, and it should be seen that the total is supported by details, and that the items are current and efficient. The proof of the balances at the end of each financial year must be completed. Further Para 1122 of Pakistan Government Railway Code for the Accounts Department (Part-I) provides that the various subsidiary registers should be totaled up, and reconciled with the General Books before the closing of next month's Accounts.

During Certification Audit, it was observed that many suspense accounts were appearing in each area of the commercial accounts where balances under revenue grant were accumulating unnecessarily and showing increasing trend since 2010-11.

The matter was discussed with the management on 20.11.2018. Management replied that it is a regular feature and Pakistan Railways has to maintain a minimum and maximum level of spare parts.

Audit recommends that management may take effective steps for adjustment of balances under suspense heads by reconciling accounts as per codal provisions and to curb this increasing trend of leaving suspense balances unadjusted.

2.1.7 Overstatement of revenue receipts due to booking of revenue on accrual basis and understatement of expenditure due to booking of expenditure on cash basis

Para 1142 of Pakistan Railway Code for the Accounts Department Part-I provides that the accounts current (trial balance) submitted by the various accounting units of Railways are consolidated in the office of the Financial Advisor and Chief Accounts Officer and one Statement of Receipts and Charges on cash basis of accounting or debits and credits on accrual basis of accounting is prepared and submitted to the Member Finance and Controller General of Accounts. Para 4.3.3.1 of the Accounting Code for Self-Accounting Entities stipulates that all revenue receipts will be accounted for on cash received basis.

Contrary to this, it was revealed during certification audit that PR prepares two sets of accounts, one on commercial basis and other as per Pakistan Government Railway Code for the Accounts Department.

Pakistan Railways recognises its earnings partially on accrual basis and partially on cash basis, while all expenses are recognized on cash basis.

The matter was discussed with the management on 20.11.2018. Management replied that Pakistan Railways records its revenue on accrual basis as per procedures and provisions contained in Pakistan Railways Accounts Code Part-II.

Audit recommends that matter should be pursued actively and essential formalities of commercial accounting should be followed being a commercial enterprise, in addition to following the format of government accounting.

2.1.8 Unclassified receipts and payments appearing in annual accounts – Rs 1,373.06 and 1,033.93 million respectively

Para 316 of Pakistan Railway Code for Accounts Department stipulates that in scrutinising receipts, it should be seen that, (a) the amounts due to Pakistan Railways for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due, (b) all receipts are properly brought into account, and all receipts are correctly classified. Para-320 (i) further provides that all claims against Pakistan Railways should be scrutinised with a view to see that the charge is correctly classified, and that, if a charge is debitable to the personal account of a contractor, employee or other individual or is recoverable from him under any rule or order, it is recorded as such in a prescribed account.

Certification audit of annual account of Divisional Accounts Officer Karachi and Traffic Accounts for the year 2017-18 disclosed that a heavy amount of Rs 1,033.93 million had been shown as unclassified in the annual accounts under the suspense account of Deposit Misc. On the other hand, an amount of Rs 1,373.06 million was shown as unclassified receipts in the abstract Z. The concerned Accounts Officer was responsible to classify each and every receipt and expenditure prior to finalisation of the annual accounts.

The matter was discussed with the management on 27.11.2018, who replied that the expenditure amounts are kept in Deposit

Miscellaneous being a suspense head and abstract Z earnings are kept as unclassified receipts.

Audit recommends that the unclassified revenue and expenditure be classified to appropriate heads and recurrence be avoided in future.

2.1.9 Unauthorised expenditure without budget allotment – Rs 412.35 million

Para 429 of State Railway General Code provides that no expenditure shall be incurred by an authority without the allotment of necessary funds. In exceptional cases, where expenditure is authorized in anticipation of the allotment of funds, or in excess of the existing provision, the authorization should be followed as soon as possible by a formal allotment of funds to the extent required.

During certification audit of financial statements of Pakistan Railways, it was observed that an expenditure of Rs 412.35 million was incurred without budget allotment for the Financial Year 2017-18. The expenditure pertained to different heads of account.

The matter was discussed with the management on 27.11.2018. Management replied that the matter had been taken up with concerned quarters.

Audit recommends that responsibility should be fixed for unauthorized expenditure without budget allotment under intimation to Audit and internal controls be strengthened to avoid recurrence in future.

2.1.10 Overstatement of expenditure on account of honorarium – Rs 10.18 million

Para 1133 of Pakistan Government Railway Code for the accounts department provides that every endeavor should be made to bring to account all the transactions of a year in the account of the year to which they pertain.

During certification audit, it was observed that honorarium/cash award amounting to Rs 10.18 million was sanctioned in FY 2017-18 on the performance of officers relating to financial year 2016-17. But the expenditure was incurred and booked in the accounts for the year 2017-18 in violation of codal provisions.

The matter was discussed with the management on 27.11.2018. Management replied that the expenditure was booked in accounts of FY 2017-18 and is recorded on cash basis.

Audit recommends that the responsibility should be fixed for making payment of honorarium in 2017-18 on the performance of FY 2016-17 unjustifiably because honorarium on the performance of prior financial year could not be paid in subsequent year. Internal controls be strengthened to avoid recurrence.

2.1.11 Misclassification of expenditure under different heads of accounts – Rs 952.73 million

Para 1455 of State Railway General Code provides that the correct head of Chart of Accounts should be recorded on each voucher by the drawing officer. This head of account should also show whether the expenditure is Charged or Other than Charged and should mention the Fund from which payment are being made.

During the course of Certification Audit, it was observed that an expenditure of Rs 952.73 million was misclassified within the revenue and capital heads as well as between these two heads. The amount was booked to wrong heads of accounts.

The matter was discussed with the management on 20.11.2018, who replied that the project authorities maintained the Expenditure Account as per the actual expenditure depending upon the purpose. Hence the booking made by the project authority could not be termed as misclassification.

DAC directed to furnish revised reply along with documentary evidence supporting the management's stance but the same was not received.

Audit recommends that the matter be inquired and responsibility be fixed for misclassification of expenditure. Financial controls be strengthened to avoid such lapses. Strenuous efforts be made to book expenditure to correct heads in order to present true and fair picture.

AUDIT PARAS

2.4 AUDIT PARAS

FRAUD/MISAPPROPRIATION

2.4.1 Bogus expenditure on repair of coaches – Rs 388.12 million

It was provided in the PC-I of the Project "Rehabilitation of Rolling Stock and Track" that 500 stabled coaches would be rehabilitated.

During audit of Project Director Rehabilitation of Rolling Stock and Track in November 2018, it was observed that 500 coaches were repaired during July, 2013 to October, 2014 with an expenditure of Rs 918.287 million. Furthermore, it was stated in the PC-I that coaches were stabled/parked but review of record revealed that these coaches were in operation and only periodical overhauling (POH) was carried out instead of rehabilitation. This indicated that incorrect information was presented before Planning Commission for approval of the project. Out of these 500 coaches, 248 were again included in another project of special repair of 800 coaches and were again repaired during March 2015 to August 2017. This resulted in bogus expenditure of Rs 388.12 million on rehabilitation of coaches due to concealment of facts by management.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be inquired to fix responsibility for furnishing incorrect information to Planning Division and action be taken against those held responsible besides recovery of the amount involved from those at fault.

DP No. 9326

2.4.2 Loss due to deficiencies in Coaching and Goods Stock– Rs 82.81 million

Modified Standard Operating Procedure as communicated vide Chief Mechanical Engineer's letter No. 264-W/0/21/12/2008-09 dated

09.12.2010 lays down detailed internal controls to be put in place to stop theft/pilferage of material from Railway coaches and wagons.

During audit of different formations, it was observed that internal controls to prevent theft as suggested in the above mentioned Modified Standard Operating Procedure were not put in operation due to which deficiencies of fittings in coaching and goods stocks valuing Rs 82.81 million were observed as detailed in **Annexure - 3.** This resulted in loss to PR due to management's slackness.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that Railway management should immediately devise a strategy with the help of concerned departments to minimise such losses. Disciplinary action be taken against those held responsible for non-implementation of SOP besides recovering the amount from them.

2.4.3 Unauthorised depositing of Railways earnings into private accounts – Rs 56.03 million

Para 1402 of Pakistan Railways General Code provides that all money received by or tendered to Government Officers on account of revenues should be deposited in full in the treasury or bank specified by the Ministry of Finance in consultation with the State Bank of Pakistan without any delay.

During audit of following formations of Pakistan Railways, it was observed that Railways earnings were unauthorisedly deposited into private accounts instead of Government treasury as detailed below:-

(Rs in million)

Sr.#	DP No.	Formation	Earnings From	Account No.	Amount
1.	8940	Deputy Director, P&L, Multan	Land lease charges	Not provided by management	32.85
2.	8859	Deputy Director, P&L, Quetta	Marriage Lawn	NBP, Institute Club, Quetta 1324-9	11.21
3.	8984	PRFTC	Transportation of Coal	MCB 0010034221990015 ABL 0010043566560014	8.37

4.	8960	MD, PRACS	Marriage Hall	ABL 0010002900700020	3.60
Total					**56.03**

The matter was taken up with the management from October 2017 to April 2018. The paras at Sr. No. 1, 3 & 4 and 2 were discussed in DAC meeting held on 12th November, 2018 and 11th and 12th October, 2018 respectively. Against issues at Sr. No. 1 and 2, DAC was informed that Railway Officers Club was serving its members with self-generated resources like membership fee and subscription from Railway officers and maintained a joint bank account operated with the signature of its President and Secretary. Audit informed the DAC that club management did not provide record to Audit for scrutiny. DAC did not consider the reply satisfactory and directed that a committee be formed including AGMs, headed by CEO to standardize the bye-laws of all Railway clubs. The same be got approved from Railway Board and shared with Audit for examination within one month. DAC further directed the DGM to circulate directions to all club management to provide all record as and when demanded by Audit.

In respect of matter at Sr. No. 3 DAC was informed that it was a temporary arrangement just to start the transportation of coal business within targeted time. M/s HSR had now installed its own weigh-bridge. DAC directed the PO that such private bank accounts should be closed immediately and action be taken against those held responsible, under intimation to Audit. In respect of matter at Sr. No. 4, DAC directed the PO that documentary evidence in support of depositing the amount in Railway accounts may be shared with Audit. Compliance of DAC directives was awaited.

Audit recommends that the deposit of Railways' earnings into private account should be stopped immediately and disciplinary action be initiated against responsible officers. The amount be transferred to Government treasury forthwith under intimation to Audit.

2.4.4 Loss due to embezzlement of public funds – Rs 27.39 million

As per Sl-79 of Esta Code, the authorized officer and authority for Government servants in Basic Pay Scale-17 to 20 is the Secretary to the Ministry and Prime Minister respectively.

During Audit of the Ministry of Railways, Islamabad in September 2017, it was observed that Railway officers were found involved in embezzlement of Rs 588,000 and in depositing Railway receipts amounting to Rs 26,800,000 (US$ 335,000 x Rs 85) into various individual private accounts besides many other malpractices. The matter was inquired through four separate inquires and some officers were held responsible for misappropriation and embezzlement. However, the Secretary, Ministry of Railways irregularly terminated the disciplinary proceedings on 25.10.2012 against only one accused officer (BPS-18) without any justification and authority. However, The GM/Operations requested MOR on 26.06.2014 for denovo disciplinary proceedings against the same officer. As a result, the Secretary, directed to initiate denovo proceedings against her on 22.10.2014. But no action was taken against the officer despite lapse of more than four years. This resulted in loss of Rs 27.39 million on account of embezzlement by Railway officers and non-recovery of the same.

The matter was taken up with the management in October 2017 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO to provide documentary evidence regarding justification for termination of disciplinary proceedings against the officer concerned along with powers of Secretary regarding termination of disciplinary proceedings to see whether it was within his mandate. Compliance of DAC directives was awaited.

Audit recommends that matter be taken up at an appropriate level to fix responsibility for not conducting denovo proceedings against responsible and action be taken against those held responsible besides completing the denovo inquiry without further delay.

DP No. 8779

2.4.5 Fraudulent receipt of compensation from Government of Punjab for Railway land – Rs 11.61 million

Para-1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realises fully and clearly that he will be held personally responsible for any loss sustained by Government through negligence on his part.

During audit of the Deputy Director, Property & Land, Lahore Division in February 2018, it was observed that an individual had received Rs 11,607,680 from Provincial Government irregularly as compensation in lieu of Railway land required for expansion of two road over bridges in 2012, by pretending to be a lessee of Railway land in Gujranwala. The Railway management did not agitate the matter. This resulted in loss of Rs 11.61 million to Railways being the actual owner of land. However, FIR No. 07/2017 was lodged against the accused with Railway Police Station, Gujranwala on 20.02.2017. Audit is of the view that had Railway management been vigilant, the compensation would have been paid to Pakistan Railways. This reflects negligence on the part of management.

The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. Audit informed the DAC that a departmental enquiry of POs' level Officers was constituted on 25.04.2017 but the same had not been completed despite lapse of about 1.5 years. DAC directed the PO to complete inquiry within a week and share it with Audit. Compliance of DAC directives was awaited.

Audit recommends that inquiry be completed without further loss of time. Action be taken against those held responsible for loss and failure to safeguard interest of Pakistan Railways, besides recovery of the amount involved.

DP No. 8978

2.4.6 Loss due to theft of distributor valves – Rs 7.50 million

Para 372 of Pakistan Railways Code for the Accounts Department provides that the defalcation or loss should be reported to the Accounts

Officer and Statutory Audit and should be investigated by the Executive in association with Accounts representative with a view to fix responsibility.

During audit of the Mechanical Engineering Department, Karachi in August 2018, it was observed that 15 distributor valves along with related parts valuing Rs 7,500,000 were stolen from Karachi Division during February to April 2018. No concrete efforts were made by Railway management to recover the stolen material. This resulted in loss of Rs 7.50 million due to weak security measures.

The matter was taken up with the management in September 2018. Management replied that same nature observation had already been taken up by Audit through Draft Para No. 8585. The remarks were not acceptable because even after being highlighted by Audit, security arrangements were not strengthened and further incidents of theft kept occurring. Further, the period objected in this observation was different from the period objected vide Draft Para 8585.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the theft case should be investigated and security personnel deployed during the said period be taken up for their lapse. Amount of loss be recovered from the culprits. Moreover, security measures to safeguard Railways assets be strengthened.

DP No. 9173

2.4.7 Fraudulent payment of consultancy fee on fake sales tax invoice – Rs 5.77 million

Clause 2.8 regarding Fraud and Corruption of Request for Proposal (RFP) stipulates that Pakistan Railways requires consultants of the highest ethical standards, both during the selection process and throughout the execution of agreement. It was defined vide clause 2.8 (a) (ii) that Fraudulent Practice means a misrepresentation or omission of facts in order to influence a selection process or the execution of an agreement. Further, it is provided vide Para 2(a) of FBR’s circular No. 3(2)ST&FE/LP&E/Misc/2014/121940-R dated 03.09.2015 that only registered suppliers, who are on Active Taxpayers List (ATL) of FBR, are eligible to supply goods/services to the Government departments.

During audit of the project regarding Preliminary Design of Upgrading Pakistan Railways' Existing Mainline (ML-1) and Establishment of a Dry Port near Havelian in November 2018, it was observed that M/s Crimson Engineering (Pvt.) Ltd, the third partner of the Joint Venture in vetting consultancy contract, was not registered with FBR. However, an amount of Rs 5.77 million was paid to the company in September 2018 on fake Sales Tax invoices. The NTN shown for the company on its invoices was actually the personal NTN of its Chief Executive Officer and the registered official address of this company with SECP was also his personal address. This was not only tantamount to fraud by the contractor but also highlighted vulnerable financial management of the project which allowed payment to an unentitled company. This resulted in fraudulent payment of Rs 5.77 million to an unregistered contractor due to non-observance of rules by management.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for payment on fake Sales tax invoices and action be taken against those held responsible besides recovering the amount involved. The firm be blacklisted and legal action be initiated against the firm for submission of fake documents.

DP No. 9325

2.4.8 Fraudulent drawl on account of TA/DA and other allowances – Rs 1.96 million

As per Para 13.5, 13.6 (iv), 13.7 and 14.1 Part-II of A Manual on Travelling Allowance Rules and Service Rules 2007 of PRACS, the carriage of luggage at Government expense, taxi charges except from Airport to residence or vice versa, entertainment allowance and expenses on business promotion are, not allowed to BPS-18 officer. Further, 50% of D.A. meant to cover accommodation charges are admissible subject to production of hotel receipts. Clause 4.1 (i) provides that a Government servant is on tour when absent on duty from his headquarters with proper sanction either within or beyond his sphere of duty. Clause-11 (iv) of the Gazette of Pakistan Extra July 28, 2006 also provides that No TA/DA will be allowed to the staff/Driver accompanying Parliamentary Secretaries during their journey outside Islamabad.

i) During the audit of the Managing Director, PRACS in May 2012, it was observed that an amount of Rs 901,213 was fraudulently drawn by PRACS officers on account of luggage charges, taxi charges, entertainment and business promotion in violation of above mentioned rules. Moreover, hotel charges were drawn without the production of hotel receipts. This happened due to negligence of management.

ii) During audit of Ministry of Railways Islamabad in November, 2018, it was observed that an amount of Rs 629,826 on account of TA/DA was fraudulently drawn by certain employees without approval of tour programs and without performing any journey as no duty pass was issued in favor of said employees. Besides, they also did not claim mileage charges and ticket fare.

iii) Further, an amount of Rs 428,250 was also drawn by the staff attached with Parliamentary Secretary for performing journey outside Islamabad in violation of the above rules. This resulted in fraudulent/unauthorized drawl of Rs 1.96 million on account of TA/DA and other allowances due to poor financial controls.

The matter at Sr. No. i was discussed in DAC meetings held on 30th July, 2018 and 11th and 12th October, 2018. DAC directed the PO that item wise documentary evidence duly backed by applicable rules, authority and approval be furnished to Audit within ten days. In case of non-production of requisite documents, the objected amount be recovered from concerned employees. However, documents provided by Railway management did not address audit observation. Against matter at Sr. No. ii & iii, no reply was received.

Audit recommends that the amount involved be recovered from concerned officers/officials besides initiating disciplinary action under E & D Rules.

DP No. 5859, 9297

2.4.9 Loss due to tampering in lease agreement – Rs 1.52 million

Para 1801 of Pakistan Railways General Code provides that means should be devised to ensure that every Railway servant realises fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part. Further, Para 316 (a) of Pakistan Railways Code for the Accounts Department stipulates that the amounts due to the Railways for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due.

During audit of Property & Land Department, Karachi in February 2018, it was observed that Railway land measuring 1787 square yards was leased out for stacking purpose w.e.f. 15.09.2015 vide agreement dated 15.04.2016. The amounts of security deposit and rental charges were written in agreement as Rs 3,790,000 and Rs 315,833 respectively. The Ex DD/P&L/Karachi, by tampering the lease agreement reduced the amounts to Rs 2,710,000 and Rs 225,834 respectively and lease period was enhanced from 1 year to 3 years. Railway management did not take any action against the culprit despite lapse of more than two years. This resulted in loss of Rs 1.52 million to Pakistan Railways due to tampering of agreement.

The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 12th November, 2018. DAC was informed that charge sheet had been issued to Ex-Deputy Director/Property & Land, Karachi and present Deputy Director/Property & Land, Karachi. As soon as the inquiry report is finalised, same would be shared. DAC directed the PO to suspend the concerned employees immediately and to finalise the inquiry within 15 days. If employees are found guilty, FIR be got registered beside action as per E&D rules. Compliance of DAC directives was awaited.

Audit recommends that inquiry proceedings be finalised without further loss of time. Action be taken against those held responsible for tampering, besides recovery of the amount involved.

DP No. 8949

2.4.10 Misappropriation of carriage and wagon material valuing Rs 1.40 million

Para 1601 of Store Code for Pakistan Railways stipulates that all stores which have been previously issued for the services of Railways and are no longer required on work, should in the absence of special instructions to the contrary, be returned to stores depots.

During audit of Mechanical Department, Lahore in September 2017, it was observed that the Head Train Examiners Washing Line, Goods and Railway Station, Lahore received material from General Store, Depot Mughalpura, Lahore from time to time but released material was not returned to concerned depots as per received quantity. There was a considerable difference between received and returned quantities but no action was taken by management to resolve the issue. This resulted in misappropriation of Rs 1.40 million due to weak inventory controls.

The matter was taken up with the management in September 2017. Management replied that released material against fresh received material was being regularly returned to concerned depot. Audit observation would be clarified after proper disposal. The remarks were not acceptable as there was a huge difference between material received and material returned to stores.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for misappropriation of material. Action be taken against those held responsible, besides recovery of the amount involved. Inventory controls be strengthened to avoid recurrence.

DP No. 8925

NON-PRODUCTION OF RECORD

2.4.11 Non-production of record

As per Section 14 (2) of the Auditor General's (Functions, Powers and Terms and Conditions of Service) Ordinance, 2001, the officer in-charge of any office or department shall afford all facilities and provide record for audit inspection and comply with requests for information in as complete a form as possible and with all reasonable expedition.

During audit of following formations, the auditable record was not provided to Audit for scrutiny:

Sr. #	DP No.	Formation
1.	8722	Divisional Accounts Office, P.R Lahore
2.	8862	Director General, Pakistan Railway Academy, Walton
3.	9146	Railway Station Multan Cantt
4.	9188	Project Director/DOT-II, Lahore
5.	9191	Divisional Transportation and Divisional Commercial Officers, Lahore

Non production of record as at Sr. No. 1, 3 and 5 was taken up with the management from October 2017 to August 2018 but no reply was received.

Matter at Sr. No. 2 was discussed in DAC meeting held on 11th and 12th October, 2018. Railway management admitted that out of 88 high value paid vouchers, only 80 vouchers were furnished to Audit. DAC directed that all POs' should issue directives that all relevant record must be provided promptly to the Audit teams otherwise strict disciplinary action would be initiated against the defaulters. Matter at Sr. No. 4 was also discussed in DAC meeting held on 4th January, 2019. DAC directed the Chief Executive Officer to call for explanation of responsible officers under intimation to Audit and DAC. Compliance of DAC directives was awaited.

Despite repeated requests the PAO did not convene meeting of the DAC in respect of paras at Sr. No. 1, 3 and 5.

Audit recommends that Railway administration may ensure timely provision of requisite record for audit scrutiny as and when required, enabling Audit to discharge its statutory duties. Disciplinary action be taken against the persons responsible.

IRREGULARITY & NON-COMPLIANCE

2.4.12 Irregular award of contract in violation of PPRA Rules – Rs 3,287.94 million

Rule 31 of PPRA Rules, 2004 provides that no bidder shall be allowed to alter or modify his bid after the bids have been opened. Clause 23.1 of PEC standard forms of bidding for procurement of works (electrical & mechanical) further provides that "No change in the price or substance of the bid shall be sought, offered or permitted during clarification after opening the bids". Clause 38.1 further provides that each bidder shall satisfy himself before bidding as to correctness and sufficiency of his bid and of rates and prices.

During audit of Chief Controller of Purchase, Lahore in August 2018, it was observed that, while procuring spare parts amounting to Rs 3,287,942,360 from M/s CRRC Ziyang Co. Ltd in July 2017, following irregularities were made:

i) After opening the financial bids M/s CRRC was allowed to alter and revise the rates of various parts for the reasons that they had wrongly quoted the rates in the bid due to mistake.

ii) The contract was not awarded to the first lowest bidder, M/s Allied AESL (CAT), OEM for diesel engine 3516-B and C175-16 as a whole. Instead M/s CRRC was allowed to reduce their offered rates below the rates of M/s AESL after opening the financial bids.

This resulted in irregular award of contract amounting to Rs 3,287.94 million by granting undue favour to the contactor and violating PPRA Rules.

The matter was taken up with the management in September 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for irregular award of contract by violating

PPRA rules and favoring a contractor over others. Action under E &D rules be taken against those held responsible.

DP No. 9118

2.4.13 Inclusion of unjustified clause of Supervision Charges under maintenance contract – Rs 933.57 million

Para 101 of Pakistan Railways Code for Mechanical Department provides that Chief Mechanical Engineer/Loco is responsible for maintenance of all locomotives.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that as per maintenance contract for 63 ZCU 20/30 D.E. locomotives provision of Rs 933,566,999 (US$ 8,724,925.23x Rs 107) was kept under the clause "Supervision Charges" for a period of three years. Audit is of the view that the payment of supervision charges was totally unjustified because Pakistan Railway had a full fledged department with qualified mechanical engineers alongwith allied supervisory staff for maintenance of locomotives. An amount of US $ 330,000 had also been spent on training of 60 persons under article 23 of procurement contract of ZCU 20/30 locomotives from M/s CSR Ziyang (now M/s CRRC Ziyang). Furthermore, the rate of supervision charges was also very high as pointed out by technical evaluation committee. This resulted in unjustified inclusion of supervision charges clause of Rs 933.57 million. This showed that due diligence was not exercised while awarding the contract and interest of Pakistan Railways was not safeguarded.

The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO that an inquiry committee may be constituted comprising DG/Technical, MD/CFI and FA&CAO/M&S to inquire the issues in maintenance contract on priority basis. Compliance of DAC directives was awaited.

Audit recommends that matter be inquired at an appropriate level for inclusion of unjustified clause of supervision charges and responsibility be fixed for not utilizing the available in house expertise for supervision. Action be taken against those held responsible.

DP No. 9075

2.4.14 Illegal transfer of Railway land – Rs 437.83 million

Para 803 of Pakistan Government Railway Code for the Engineering Department provides that it is duty of Railway administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment.

During audit of the Director Property & Land, Lahore in February 2018, it was observed that 243.24 kanals of Railway land valuing Rs 437,832,000 was illegally transferred to Fisheries Department by the Punjab Government at Sohawa in 2012. Railway management did not make any efforts either to retrieve the land or to recover the cost of land from Government of Punjab despite lapse of six years. This resulted in loss of Rs 437.83 million to Pakistan Railways due to slackness on part of management.

The matter was taken up with management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that case regarding title of land was in Honourable Supreme Court of Pakistan and fixed for 24.12.2018. DAC directed the PO that the matter may be pursued through Civil Court under intimation to Audit. Compliance of DAC directives was awaited.

Audit recommends that strenuous efforts be made to retrieve land from Fisheries Department Government of Punjab and existing controls over land management be strengthened.

DP No. 8942

2.4.15 Shortage in supply of spare parts – Rs 419.90 million

As per clause 10.1 (C) of tender specifications and Article 14 of maintenance contract of ZCU-20/30 Diesel Electric Locomotives dated 15.07.2017, it was the responsibility of contractor to ensure adequate and timely availability of spare parts/material required for maintenance. The material was required to be shipped within 3 to 6 months as specified in contract after opening of LC. As per clause 5 of purchase order No. 19/0073/01-0/2/2014 dated 13.09.2014, in case of short shipment the amount will be recovered from the contractor.

During audit of the following formations, it was observed that spare parts valuing Rs 419,907,824 were less supplied by the contractor. Railway management failed to get the shortage of material recouped from the contractor as detailed below:-

(Rs in million)

Sr. #	DP No.	Formation	Period of Audit	Amount
1	9203	Chief Controller of Purchase, Lahore	August 18	416.67
2	8819	District Controller of Purchase (Inspection), Karachi	September 17	3.23
Total				**419.9**

The matter was taken up with the management from September 2017 to August 2018. The matter at Sr. No. 1 was discussed in DAC meeting held on 4th January, 2019. DAC directed the PO that an inquiry committee may be constituted comprising DG/Technical, MD/CFI and FA&CAO/M&S to inquire the issues in maintenance contract on priority basis. The matter at Sr. No. 2 was discussed in DAC meeting held on 8th May, 2018. DAC directed the PO that documentary evidence against item No. 08 to 10 be shared with Audit for examination. DAC further directed the PD/SR(100-Locos) to provide detailed reply within three days. Compliance of DAC directives was awaited.

Audit recommends that inquiry report be completed on priority and shared with Audit. Further, the material be recouped immediately and responsibility be fixed for not getting the material recouped in time.

2.4.16 Irregular acceptance of conditional bid – Rs 391.58 million

As per clause 14 (c) of term and condition of the bidding documents, the tenderer should quote only one rate and one place of delivery. Clause 12 (ii) provides that the warranty shall be valid for a period of 24 months from the date of receipt/ shipment or 18 months from the date of placement in service, whichever comes earlier. Further, clause

17 (v) provides that the local representative of foreign supplier will be responsible for all liabilities in case of failure to executive the contract. Rule 30 (I) of PPRA rules provides that all bids shall be evaluated in accordance with the evaluation criteria and other terms and conditions set forth in the prescribed bidding documents.

During audit of Chief Controller of Purchase, Lahore in August 2018, it was observed that, while procuring 120 Armature Assembly valuing Rs 391,578,000 from M/s Jiangsu Changqian Electromotor Co. Ltd. through M/s Overseas Trade Corporation (Pvt) Ltd. in July 2014, following irregularities were observed:

i) Instead of quoting one rate, firm offered four different proposals ranging from CNY 187,000 each to CNY 205,000 each with different warranty periods. So, the bid was conditional and in violation of clause 14 (c) of terms and conditions of bidding documents. Hence the bid should have been rejected.

ii) The firm offered the warranty period proportionate to price of goods i.e. the higher the price the longer the warranty period and vice versa instead of offering the warranty as per clause 12 of terms and conditions of bidding documents.

iii) Contrary to clause 17 (v) of bidding documents, the firm declared in the bid that their local agent would not be responsible for any liabilities etc.

The matter was taken up with the management in August-2018. Management replied that single offer from M/s Jiangsu Changqian Electromotor Co. Ltd. China through M/s OTCL was declared technically suitable because material was urgently required. The remarks were not acceptable because management failed to safeguard Railways interest and accepted conditional bid in clear violation of PPRA rules.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated at an appropriate level to fix responsibility for accepting conditional bid by violating PPRA rules. Action under E & D rules be taken against those held responsible.

DP No. 9232

2.4.17 Irregular expenditure due to splitting of purchases/works – Rs 192.56 million

Rule 9 of PPRA Rules - 2004 provides that a procuring agency shall announce in an appropriate manner all proposed procurements for each financial year and shall proceed accordingly without any splitting or re-grouping of the procurements so planned.

During audit of different formations, splitting of similar nature purchases/works worth Rs 192.56 million was observed as detailed in **Annexure - 4**.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility for splitting of purchases/works be fixed and action against responsible persons be taken under the rules.

2.4.18 Irregular award of works without preparation and sanction of estimates – Rs 113.14 million

According to Para 1001 of Pakistan Railways Code for the Engineering Department, the commencement of a work or the incurrence of any liability thereon should, as a rule, be authorized by the competent authority by a written order sanctioning the detailed estimate thereof and allotting the requisite funds. In the rare cases where verbal orders have to be acted upon, the officer complying with the verbal orders should solicit written confirmation of such orders, within a reasonable time. Unless it can be shown that the complying officer has conformed to this rule, the responsibility for the expenditure incurred will rest with him.

During audit of following formations, it was observed that certain works as detailed below were awarded to contractors without preparation and sanction of detailed estimates. This resulted in irregular award of work amounting to Rs 113.14 million in violation of codal formalities.

(Rs in million)

Sr.#	DP NO.	Formation	Amount
1	9184	Civil Engineering Department, Multan	61.24
2	9093	Civil Engineering Department, Karachi	29.43
3	9157	PD/DOT-II	22.47
Total			**113.14**

The matter was taken up with the management in August and September 2018. Management replied against Sr. No. 1that due to the pressure of Punjab Government and occurrence of accidents on un-manned level crossings, the AGM/IBU allowed to float the tenders. Tenders were called and tender documents were sent to Headquarters Office Lahore for acceptance. Management replied against Sr. No. 2 that work was of urgent nature therefore tenders were called for before sanction of estimates. The matter at Sr. No. 3 was discussed in DAC meeting held on 4th January, 2019. DAC was informed that detailed estimates were under technical check. DAC directed the PO to hold an inquiry on award of contracts without sanction of detailed estimates within 15 days.

The remarks against Sr. No. 1 and 2 were not acceptable as preparation and sanction of detailed estimates were mandatory before award of works. In case of matter at Sr. No. 3, compliance of DAC directives was awaited.

Despite repeated requests the PAO did not convene meeting of the DAC in respect of paras at Sr. No. 1 and 2.

Audit recommends that matter be investigated to fix responsibility for initiation of tendering process and awarding of contracts without preparation and sanction of estimates and action be taken against those held responsible.

2.4.19 Irregular utilisation of Improvement Fund (IF) for capital expenditure – Rs 106.64 million

Para 902 of Pakistan Railway General Code provides that cost of land and the first cost of construction and equipment is classified as capital expenditure and should be charged to Capital. Furthermore, the

Improvement Fund (IF) was meant to meet the cost of works connected with the welfare of Railway staff, like construction of schools, hospitals, dispensaries and staff quarters.

During audit of the Civil Engineering Department, Workshops Division Mughalpura, Lahore in August 2018, it was observed that expenditure amounting to Rs 106,644,820 for construction of new roller bearing shop and improvement of existing lifting shop at C&W/ Shops/MGPR, Lahore was booked to Improvement Fund (IF) instead of Capital head in violation to the rules quoted above. This resulted in irregular utilisation of Improvement Fund of Rs 106.64 million for Capital expenditure.

The matter was taken up with management in August 2018. Management replied that Improvement Fund was utilised with the approval of competent authority and expenditure was booked against the same after observing all formalities. The reply was not acceptable as the Improvement Fund can only be used for public and passenger amenities. Any addition and replacement of assets should be charged to Capital or DRF instead of improvement fund.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for utilisation of Improvement fund for Capital head of account. Action be taken against those held responsible. Financial controls be strengthened to avoid recurrence.

DP No. 9161

2.4.20 Irregular investment in contravention of Finance Division's directives – Rs 100.00 million

In terms of clause 3 (b) Finance Division (Budget Wing) letter No. F.4(1)/2002-BR.II dated 02.07.2003, prior to placing deposit of working balances exceeding Rs 10 million with a bank, the selection of bank as well as terms of deposits will be approved by the concerned Board of Directors on the basis of competitive bids from at least three independent

“A” rating banks. Clause 3(c) further stipulates that where total working balance exceeds Rs 10 million, not more than 50% of such balance shall be kept within one bank.

During audit of Kashmir Railway (Pvt) Ltd. in April 2018, it was observed that an amount of Rs 100,000,000 of working balance of the company was invested in Term Deposit Receipt at National Bank of Pakistan Secretariat Branch, Islamabad from 02.01.2015 to 24.01.2018. The investment was made in one bank only and that too without obtaining competitive bids from at least three independent “A” rating banks in contravention of Finance Division’s directives.

The matter was taken up with the management in April 2018. Management replied that the investment of Rs 100 million in NBP was made under the instructions of BODs to get maximum benefit for the Company through TDRs on quarterly basis. National Bank of Pakistan being a Government owned bank was the safest entity for such investment forum. The remarks were not acceptable because investment was made in violation of Finance Division directives.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for irregular investment in violation directives of Finance Division. Financial management controls be strengthened to avoid recurrence.

DP No. 8968

2.4.21 Irregular utilisation of PSDP funds for revenue works – Rs 89.72 million

Para 8 (a) of Finance Division O.M.No.F.3(2) Exp-III/2006 dated 13.09.2006 stipulates that without prior consent of Finance Division, no appropriation be made from development to current expenditure and vice versa.

During audit of following formations, it was observed that PSDP funds valuing Rs 89.72 million were utilised for revenue works. This resulted in irregular utilisation of PSDP funds amounting to Rs 89.72 million without approval of Finance Division. This depicts weak financial and internal controls.

(Rs in million)

Sr.#	DP No.	Formation	Amount
1	9057	Civil Engineering Department, Multan	45.67
2	9332	Project Director, RR&T	21.05
3	9309		20.00
4	9296		3.00
Total			**89.72**

The matter was taken up with the management in August and November 2018. Management replied against Sr. No. 1 that cost of ballast would be debited after the same is raised by the concerned project. The remarks were not acceptable as the cost of the ballast was not paid in cash to the projects. Against Sr. No. 2, 3 and 4 no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for utilising PSDP funds for Revenue work. Expenditure involved be got regularized from Finance Division. Financial and internal controls be strengthened to avoid recurrence.

2.4.22 Irregular award of work without tenders – Rs 86.27 million

As per Rule 20 of PPRA Rules-2004, the procuring agencies shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Further, Rule 12 (2) also provides that all procurement opportunities over two million rupees should be advertised on the Authority's website as well as in other print media or newspapers having wide circulation. The advertisement in the newspapers shall principally appear in at least two national dailies, one in English and the other in Urdu.

During audit of Deputy Director, Property & Land, Lahore Division in February 2018, it was observed that work worth Rs 86.27 million for construction of 138 shops was awarded to M/s RAILCOP without floating tenders during 2015-16. Audit is of the view that construction work should have been awarded through open tender whereas, Pakistan Railways by awarding the contract to M/s RAILCOP restricted open competition. This resulted in incurrence of irregular expenditure of Rs 86.27 million against the provisions of PPRA Rules.

The matter was taken up with the management in February 2018. Management replied that the task was awarded and processed by Headquarters office. The remarks were not acceptable as award of contract was in clear violation of PPRA Rules which resulted in irregular expenditure.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be taken up at an appropriate level to fix responsibility for violation of PPRA Rules-2004. Action be taken against those held responsible.

DP No. 8911

2.4.23 Unauthorised expenditure on additional works/purchases without provision in PC-I – Rs 70.61 million

Para 806 of Government of Pakistan Railway General Code provides that the lump sum grants voted by the legislative assembly in response to the demands for grants presented to them, may be spent only on the objects and for the purpose specified in the PC-I/detailed statements. No expenditure may be incurred by any authority on a new service/work not contemplated in the original demand, without obtaining a supplementary grant from the legislature.

During audit of following formations, it was observed that an amount of Rs 70,609,847 was incurred on additional works/purchases that were not provided in respective PC-Is. This resulted in unauthorized expenditure of Rs 70.61 million in violation of approved PC-I.

(Rs in million)

Sr.#	DP No.	Formation	Amount
1	9159	Accounts Officer/Projects Headquarters office, Lahore	69.02
2	9133	Civil Engineering Department, Peshawar	1.59
Total			**70.61**

The matter was taken up with the management in August and October 2018. Management replied against Sr. No. 1 that position would be apprised shortly after scrutiny of record. Against Sr. No. 2 management replied that different items of furniture had been purchased after getting approval of the competent authority and observing all due formalities. Against Sr. No.1 no reply was received. The reply against Sr. No. 2 was not acceptable because the furniture was procured without any provision in the PC-I and sanctioned estimate.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that inquiry be conducted for fixing responsibility for unauthorized incurrence of expenditure on additional works being without any provision in PC-I and action be taken against those held responsible.

2.4.24 Irregular procurement of auxiliary material without competitive process – Rs 57.52 million

Rule 20 of PPRA rules provides that the procuring agency shall use open competitive bidding as the principal method of procurement for the procurement of goods, services and works. Clause 1.2 (preamble to schedule of prices) of PEC standard form of bidding documents for procurement of works (Electrical & Mechanical) further provides that bids must be for complete scope of work.

During audit of Chief Controller of Purchase, Lahore in August 2018, it was observed that a provision for Rs 57,519,282 (US$ 537,563.390 @ Rs 107 each) was made in maintenance contract of 63 ZCU 20/30 locomotives, for procurement of auxiliary material for three years. This was unjustified because items to be procured were not quoted by contractor in the bid. This indicated that the bid did not cover the complete scope of work. Moreover, after signing the contract, a list of 81 items provided by the contractor was accepted by the management and LC valuing Rs 19.85 million ($ 179187.8 @ Rs 110.75 each) was also opened for 1st year of procurement after making amendments in contract agreement and giving favour to contractor. Audit was of the view that procurement of these 81 items valuing Rs 57.52 million after finalization of tender process was irregular and tantamount to misprocurement because competitive bidding process for procurement of these items was not adopted.

The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO that an inquiry committee may be constituted comprising DG/Technical, MD/CFI and FA&CAO/M&S to inquire the matter of maintenance contract on priority basis. Compliance of DAC directives was awaited.

Audit recommends that inquiry be completed on priority and responsibility for irregular procurement in violation of PPRA rules be fixed and action be taken against those held responsible.

DP No. 9143

2.4.25 Irregular appointment of staff on TLA basis – Rs 41.48 million

As per Finance Division (Regulation Wing) letter No. F.4(9)R-3/2008-499 dated 12.08.2008, the staff for development projects funded from PSDP was required to be recruited from open market on contract basis. Moreover, as per General Manager/Operations letter No. GM.Misc.07/2014 dated 07.07.2014, essential staff against work charged posts of the projects was required to be engaged on contract basis by following the laid down procedure for contract appointments.

During audit of the Project Procurement/Manufacturing of 585 Hopper Wagons & 20 Brake Vans in September 2018, it was observed that employees of BPS-2 to BPS-16 were irregularly engaged on Temporary Labor Application (TLA) basis instead of hiring on contract basis. This resulted in irregular expenditure of Rs 41.48 million due to irregular appointment of staff in violation of rules. This reflects weak internal controls on part of management.

The matter was taken up with the management in September 2018. Management replied that the staff in question was engaged on TLA basis against the projects of 540 HCW and Hopper Wagons Project Phase-I. After completion of the projects, the same staff was transferred to the project 585 Hopper Wagons (Phase-II) with the approval of General Manager/M&S. The remarks were not acceptable because staff was required to be engaged on contract basis in compliance of Finance Division directives.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility be fixed for making irregular appointments of staff. Action be taken against those held responsible besides regularisation of the amount involved. Internal controls be strengthened to avoid recurrence.

DP No. 9182

2.4.26 Unjustified award of janitorial service contract – Rs 41.28 million

Para 807 (1) of Government of Pakistan State Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of following formations, it was observed that the work of janitorial services for four trains valuing Rs 41.28million was awarded to different contractors. Before awarding the contract of janitorial services, the same work was carried out by the Railway staff. Audit is of the view that the contracts were awarded to the private parties without any justification because Railway staff could do the same work as per past practice.

(Rs in million)

<table>
<tr><th>Sr. #</th><th>DP No.</th><th>Formation</th><th>Period</th><th>Name of train</th><th>Amount</th></tr>
<tr><td rowspan="2">1</td><td rowspan="2">9158</td><td rowspan="2">Senior Accounts Officer, GB</td><td>26.09.2016 to 25.09.2017</td><td>Tezgam, Karachi Express, and Business Express</td><td rowspan="2">34.98</td></tr>
<tr><td>03.10.2016 to 02.10.2017</td><td>Karakoram Express</td></tr>
<tr><td>2</td><td>8711</td><td>Divisional Transportation and Divisional Commercial Officers Lahore</td><td>06.04.2016 to 02.10.2016</td><td>Karakoram Express</td><td>6.30</td></tr>
<tr><td colspan="5">Total</td><td>41.28</td></tr>
</table>

The matter was taken up with the management in April 2017 and October 2018.The matter at Sr. No. 2 was discussed in DAC meeting held on 14th December, 2018. DAC was informed that janitorial services were entrusted to a private contractor by the Headquarters office due to shortage of cleaning staff. As during October 2010 there was only 225 number of cleaning staff against the sanctioned strength of 399. DAC was not satisfied with the reply of management and directed the PO to justify the award of contract duly supported by documentary evidence regarding availability of cleaning staff before April 2016 during contract period and after contract period i.e. in September 2016.

Compliance of DAC directives was awaited. No reply was received against Sr. No. 1.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for awarding a janitorial services contract without any justification & financial analysis and non utilisation of Railway staff already deputed for the same work. Action be taken against those held responsible.

2.4.27 Loss due to laying defective PSC sleepers – Rs 27.08 million

Clause 15 of agreement dated 18.10.2016 executed between Pakistan Railways and M/s HIS Industries provides, that defect liability period would be five years. The lessee would be bound to replace and provide new sleepers free of cost which would be declared defective during the defective liability period.

During audit of Project Rehabilitation of Rolling Stock and Track in November 2018, it was observed that 6498 PSC sleepers procured from M/s HIS Industries were laid during December 2016 to February 2018. These sleepers were found defective during inspections carried out by PR management from October 2017 to February 2018. This resulted in loss of Rs 27.08 million to the PR due to weak procurement and operational controls.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be inquired at an appropriate level to fix responsibility for non-testing of sleepers before dispatch to work and laying of defective sleepers and action be taken against those held responsible. Cost of defective sleepers along with their laying cost i.e. labour charges, fittings etc., be recovered from the contractor or the person at fault.

DP No. 9288

2.4.28 Irregular increase in cost of works – Rs 24.94 million

Para 1048 of Pakistan Railways Code for Engineering Department provides that if in the course of execution of a work it becomes apparent that there is likely to be an excess over the sanctioned estimate of the work as a whole, Executive Engineer should take steps to restrict further expenditure on the work to the utmost extent possible until sanction to the excess is obtained and prepare a revised estimate and submit it to authority competent to sanction it. Expenditure in excess of sanctioned estimate should not ordinarily be left over for regularisation by Post-facto sanctions. Further, Para 42-C (iv) of PPRA Rule-2004 provides that repeat orders should not exceed fifteen per cent of the original procurement.

During audit it was observed that Railway management irregularly enhanced the quantities of works without revision of detailed drawings, estimates and without re-tendering. This resulted in irregular expenditure of Rs 24.94 million due to violation of PRRA Rules as detailed below.

(Rs in million)

Sr. #	DP No.	Formation	Value of contract enhanced by	Amount
1	9176	Civil Engineering Department, Workshops Division, MGPR, Lahore	19%	10.58
2	9129	Civil Engineering Department, Quetta	155%	5.89
3	8791	PD/RFD, Lahore	29%	5.79
4	8959	MD/PRACS	49 % to 86%	2.68
Total				**24.94**

The matter was taken up with the management from July to August 2018. Management replied against Sr. No. 1 that the revised estimate had been sanctioned by the competent authority. The matter at Sr. No. 3 was discussed in DAC meeting held on 8th May, 2018. DAC was informed that it was necessary to repair the portion of earth work, which was done by sanctioning the addendum slip No.1 amounting to Rs 22.658 million duly concurred by FA & CAO and approved by CEO/Sr. GM. DAC directed the PO to provide a revised reply along-with copy of revised estimate to Audit within three days. The matter at Sr. No. 4 was discussed in DAC meeting held on 12th November, 2018. DAC directed that matter be inquired at an appropriate level to fix responsibility for awarding the contract without re-tendering and action be taken against those held responsible under intimation to Audit. The remarks against Sr. No. 1 was not acceptable as the value of the work was enhanced in violation of the PPRA rule.

Compliance of DAC directives was awaited. No reply was received against Sr. No. 2.

Audit recommends that matter be investigated, responsibility be fixed and action be taken against those held responsible. Internal controls be improved to avoid recurrence.

2.4.29 Irregular utilisation of staff – Rs 14.22 million

According to Chief Personnel Officer letter No. 831-E/692(APO-IV) dated 30.05.2009 no employee should be utilised on job other than his own category/original posting.

During audit of following formations, it was observed that an expenditure of Rs 14.22 million was incurred on pay and allowances of staff being utilised on jobs other than their own categories/original posting.

(Rs in million)

Sr. #	DP No.	Formation	Period of Audit	Amount
1.	9153	Civil Engineering Department, Workshops, Mughalpura, Lahore	August, 2018	5.48
2.	9105	Mechanical Department, Workshops, Mughalpura, Lahore.	September 2018	3.77
3.	9004	Station Manager, Karachi	April, 2018	2.19
4.	8957	Station Manager, Lahore	March, 2018	2.14
5.	9370	Electric Department, Lahore	November, 2018	0.64
Total				**14.22**

The matter was taken up with the management from March to November 2018. Management replied against Sr. No. 1 that the staff would be sent back on their original place of posting. Against Sr. No. 2, management replied sanction of TLA was obtained against the sports quota. Against Sr. No. 3, management replied that the services of staff were being utilised at different offices due to shortage of staff. Against Sr. No. 5, management replied that staff was utilised with the approval of DS/DPO.

Progress of the cases in respect of Sr. No.1 was not furnished. The remarks against Sr. No. 2 was not acceptable as TLA was hired against the vacant post of skilled and semi-skilled workers of C&W Shops, MGPR. The remarks against Sr. No. 3 and 5 were not acceptable as utilisation of staff at other places than their original place of posting was irregular. Against Sr. No. 4, no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Utilisation of staff at places other than their original posting was a chronic issue and Audit had been pointing it out every year. The department needs to adopt remedial measures. Audit recommends that strength of staff be rationalised at all levels.

2.4.30 Irregular purchase of vehicles – Rs 11.82 million

As per Finance Division, Expenditure Wing's Office Memorandum dated 29.07.2016 there was complete ban on purchase of vehicles for revenue as well as development expenditure.

During audit of RAILCOP in April 2017, it was observed that Pakistan Railways introduced a clause in contract agreements, of different projects, for provision of new vehicles circumventing orders of Government of Pakistan regarding ban on purchase of vehicles. RAILCOP management irregularly purchased seven vehicles valuing Rs 11.82 million for Pakistan Railways against different projects.

The matter was taken up with the management in September 2017 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO that purchase of vehicle be got regularized from Finance Division. DAC further directed that such practice be discontinued and in future no vehicle should be acquired through contractor. Compliance of DAC directives was awaited.

It is emphasized that the matter be got regularised from Finance Division at the earliest besides fixing responsibility for unauthorised procurement of vehicles.

DP No. 8906

2.4.31 Irregular procurement of material – Rs 10.89 million

In terms of purchase order No. 19/0030/01-0/2-2017 dated 19.06.2017 as well as Letter of Credit, the firm would submit compliance certificate from the manufacturer duly attested by Chamber of Commerce that products being supplied by their principal were manufactured by the OEM/Manufacturer (M/s Clark Filter USA).

During Audit of the Chief Controller of Purchase, Pakistan Railways, Lahore in August 2018, it was observed that single offer of M/s Tradimpex Lahore for supply of Element Air Filter Air Comp: AGE-30 and Lube Oil Filter was declared suitable and approved by the tender committee, subject to the condition that the firm would submit a compliance certificate as mentioned above along with each shipment. The firm shipped material worth Rs 10,897,746 (US $ 103,887 @ Rs 104.90) on 26.11.2017 without submission of compliance certificate from the manufacturer which was tantamount to violation of above mentioned clause. Furthermore, the bank guarantee obtained from contractor was valid only for one year and had expired on 22.06.2018 i.e. before the expiry of warranty period. This resulted in irregular procurement of Rs 10.89 million by giving undue favor to the contractor.

The matter was taken up with the management in August 2018. Management replied that requisite certificate duly attested by Chamber of Commerce was attached with shipment documents and claim had been lodged to bank and firm for extension of bank guarantee. The remarks were not acceptable because documentary evidence regarding compliance certificate duly attested by Chamber of Commerce and extension in bank guarantee were not furnished to Audit.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at appropriate level to fix responsibility for acceptance of material in violation of the provisions of purchase order and action be taken against the persons held responsible.

DP No. 9216

2.4.32 Irregular expenditure on staff in excess of sanctioned strength – Rs 10.79 million

Para 111 of Pakistan Railways Establishment Code provides that the number of posts sanctioned for each grade in a department shall in no case be exceeded without the sanction of the authority competent to create a post, either permanent or temporary, in the grade.

During audit different categories of staff were found working in excess of the sanctioned strength as detailed below. This resulted in irregular expenditure of Rs 10.79 million on account of pay and allowances of staff working in excess.

(Rs in million)

Sr. #	DP No.	Formation	Staff in excess over sanctioned strength	Amount
1.	9215	Divisional Mechanical Engineer, Sukkur	33	6.61
2.	9355	Ministry of Railways, Islamabad	07	2.29
3.	9302	Ministry of Railway, Islamabad	02	1.89
Total				**10.79**

The matter was taken up with management from August 2018 to November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility for irregular expenditure on pay and allowances of excess staff be fixed and necessary corrective action be taken.

2.4.33 Irregular cash payments against local purchases – Rs 8.66 million

Federal Board of Revenue circular No. C.No. 1(42) STM/2009/99638-R dated 24.07.2013 provides that purchase of taxable goods may only be made from sales tax registered persons against sales tax invoices and payments through banking channel.

During audit of following formations, it was observed that procurement of different types of material amounting to Rs 8,657,053 was made through local purchases during 2017-18 but payment was made to the suppliers in cash instead banking channel i.e. through cheques. This resulted in irregular cash payments of Rs 8.66 million in violation of FBR circular.

(Rs in million)

Sr. #	DP NO.	Formation	Amount
1	9041	Civil Engineering Department, Multan	3.42
2	9299	CDL/Workshop, Rawalpindi	3.07
3	9076	MD/CFI	2.17
Total			**8.66**

The matter was taken up with the management from August to November 2018. Against Sr. No. 2 management replied that purchases through cash facilitated the purchase of good quality items on competitive rates. Against Sr. No. 3 management replied that in future payments would be made through banking channels. The remarks against Sr. 2 and 3 were not acceptable as payment against the procurement of taxable goods should be made through banking channel. Against Sr. No. 1 no relevant reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that compliance of rules be ensured, internal controls be strengthened to avoid recurrence and action be taken against those held responsible for violating Government instructions.

2.4.34 Loss due to non-imposition of LD charges by extending undue favor to the contractor – Rs 7.99 million

In terms of clause 5 (i) & (ii) of general terms & conditions of tender, the material is urgently required by Railways and bidders are therefore, required not to quote delivery period more than 05 months, failing which the offer will be rejected straight away. At least 50% of the ordered quantity and total supply shall have to be completed within stipulated delivery period. Further, in terms of purchase order, the delivery period will commence after successful trial report. However, maximum delivery period will be up to 15.08.2012. Further clause-5 of Pakistan Railway Standard conditions of contract disclosed that the maximum LD charges should 10% of the value of the stores in arrear.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that purchase order dated 15.03.2012 was placed on

M/s Al Tech Engineering for manufacturing/fabrication of points & crossings of different types at a cost of Rs 79,964,298 with delivery period of maximum 05 months as mentioned ibid. The contractor failed to supply the material within the stipulated delivery plan. The specification of material was revised twice at the desire of the contractor. But the contractor failed to supply the required material despite lapse of more than 5 years. The contractor was granted extension in delivery period upto 31.01.2017 without imposition of LD charges. This not only resulted in loss of Rs 7.99 million due to non-imposition of LD charges but maintenance work also suffered as material was urgently required but the same was not supplied despite lapse of 5 years.

The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO that the matter may be inquired to fix responsibility for not non-cancelling the agreement and revision of Railway specifications at the desire of contractor. Inquiry report be shared with Audit within 15 days. Compliance of DAC directives was awaited.

Audit recommends that matter be inquired at an appropriate level for fixing of responsibility beside recovery of LD charges from the firm under intimation to Audit.

DP No. 9106

2.4.35 Wasteful expenditure due to unjustified hiring of consultants for supervision of civil works – Rs 4.17 million

Para 807 (1) of Government of Pakistan State Railway General Code provides that every public officer should exercise the same vigilance in respect of expenditure incurred from Government revenues as a person of ordinary prudence would exercise in respect of the expenditure of his own money.

During audit of Civil Engineering Department, Workshops Mughalpura, Lahore in August 2018, it was observed that services of M/s Master Consulting Engineers (Pvt.) Ltd were hired as Consultant Engineers for construction of shopping centre twice at a cost of Rs 4,165,275 during March 2017 and March 2018. In the first case, work was not completed even after granting extension in time and later on work was supervised by AEN/Workshops. Audit considered that hiring the firm that earlier failed to perform work on second assignment was unjustified specially when Pakistan Railways has qualified civil engineering staff. This resulted in loss of Rs 4.17 million due to unjustified hiring of consultants for supervision of civil works. This reflects negligence on the part of management.

The matter was taken up with the management in August 2018. Management replied that the consultancy services were hired with the approval of Headquarters office. The remarks were not acceptable as in presence of Railways' engineering staff, hiring of private consultants was unjustified.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for unjustified award of work for which Pakistan Railways had its own qualified staff. Action be taken against those held responsible, besides strengthening management controls to avoid recurrence.

DP No. 9320

2.4.36 Irregular utilisation of Revenue funds for PSDP project – Rs 2.16 million

Para 8 (a) of Finance Division O.M.No.F.3(2) Exp-III/2006 dated 13.09.2006 stipulates that without prior consent of Finance Division, no appropriation be made from development to current expenditure and vice versa.

During audit of Civil Engineering Department, Karachi in April 2018, it was observed that 48,000 cft ballast valuing Rs 2.16 million purchased from revenue allocation was transferred to the project Track Rehabilitation on the verbal orders of DEN-II. This resulted in irregular utilisation of revenue funds amounting to Rs 2.16 million for PSDP project. This also resulted in overstatement of revenue expenditure and understatement of PSDP project cost. This reflects weak financial and internal controls.

The issue was taken up with the management in April 2018. Management replied that credit would be received shortly. Progress regarding transfer of funds was not furnished to Audit.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for utilisation of Revenue funds for PSDP project, besides regularisation of the expenditure from Finance Division.

DP No. 9209

2.4.37 Loss of public money to provide facilities to Railway officers – Rs 1.90 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realises fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of the Electric Department Multan in November 2018, it was observed that there were 17 residences of Railway Officers at Bahawalpur Road, Multan. The facility of water connections from WASA could easily be availed by Pakistan Railways. Instead of getting connection from WASA, a tubewell was installed for supply of water to officers' bungalows. An amount of Rs 1,900,912 was incurred in connection with electric charges and pay and allowance of staff deputed for tubewell during 2017-18. However, PR charged only Rs 70 for water charges per month per bungalow. This resulted in loss of Rs 1.90 million due to mismanagement of Pakistan Railways only to facilitate officers at the cost of PR.

The matter was taken up with the management in November 2018. Management replied that the matter had been referred to DEN-I/MUL for obtaining water supply connection from WASA as soon as possible. The remarks were not acceptable because installation of tube well was unjustified. Progress regarding connections from WASA was awaited.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated to fix responsibility for installation of tube well instead of getting connections from WASA. Action be taken against those held responsible, besides recovery of the amount of loss.

DP No. 9317

PERFORMANCE

2.4.38 Mismanagement of CPEC project causing delay in finalisation of contract – Rs 10,478 million

Item No. 11 of the minutes of CDWP meeting held on 08.06.2016 regarding up-gradation of Pakistan Railways' (PR) existing Mainline-1 (ML-1) and Establishment of a Dry Port near Havelian referred. The CDWP recommended the project in principle subject to three conditions wherein Sr. No. (i) required submission of firmed up scope & cost on the basis of preliminary design of the project and evaluated by the third party carried out by Pakistan Railways.

During audit of the project regarding Preliminary design of upgrading Pakistan Railways existing mainline (ML-1) and establishment of a Dry Port near Havelian in November 2018, it was observed that the project management failed to manage the contract of Rs 10,478 million awarded to a Chinese company (M/S CREEC) for preliminary design within planned timelines up to 10.05.2018. The project could not be completed in 2017-18 and therefore had to be brought forwarded in 2018 - 19 as project management failed to comprehend the preliminary design submitted by the Chinese consultants. Audit was of the view that the preliminary design report was not evaluated effectively as in most columns of report the word "not understandable" was written by the evaluator. Still the payment of Rs 3,154.50 million had so far been made to the consultants causing loss to the PR.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for non-completion of the project and ineffective project evaluation. Administration of CPEC projects be strengthened and progress of the project be monitored to avoid further loss.

DP No. 9336

2.4.39 Non-disposal of scrap – Rs 2,006.49 million

Para 2403 of Pakistan Railways Code for the Stores Department provides that the Store Department should arrange for the regular collection of all scrap from consuming departments and for its disposal to the best advantage of the Railways. If scrap is to be disposed off by public auction, arrangements should be made for its collection at convenient points for the purpose of such sales.

During audit of different formations, cases of accumulation of scrap were observed due to non-disposal which resulted in blockage of capital amounting to Rs 2,006.49 million as detailed in **Annexure - 5**.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that expedient action for proper disposal of scrap be taken. Responsibility for unnecessary retention of scarp be fixed.

2.4.40 Inordinate delay in repair of locomotives and coaches resulting in loss of potential earnings – Rs 1,775.01 million

As per maintenance regulation NO.ME/DE-1011 (REV-IV) 2007 and revised maintenance regulation NO.ME/DE-1011 REV (VI) 2013 maintenance of D.E. locomotives in respect of F schedule and for Class I should be completed within 7 days and 32 days respectively.

During audit of following formations, it was observed that nominated and scheduled repair of D.E. locomotives and coaches was delayed by 05 to 516 days. This resulted in loss of potential earnings of Rs 1,775.01 million due to negligence and inefficiency of Railway management as detailed below:-

(Rs in million)

Sr. #	DP No.	Formation	Period of Audit	Delay in days	Amount of potential earnings
1.	8721	Mechanical Department, Peshawar	September, 2017	62 to 516	1,400.13
2.	9144	Mechanical Department, Workshops Mughalpura Lahore	September, 2018	10 to 262	203.12
3.	9314	Mechanical Department, Lahore	July, 2018	5 to 472	171.76
Total					**1,775.01**

The matter was taken up with the management from September 2017 to September 2018. The matter at Sr. No. 1 was discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO to provide revised reply explaining the reasons for inordinate delay in repair duly supported by documentary evidence. Further efforts be made for early turning out of the held up locomotives on priority. Against Sr. No. 2 and 3, management replied that excess time on POH and nominated repair was due to non-supply of spare parts.

Against Sr. No. 1 compliance of DAC directives was awaited. The remarks against Sr. No. 2 and 3 were not acceptable as it was the responsibility of management to ensure the supply of material.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for delay in repair and action be taken against those held responsible. Supervisory and inventory management controls be strengthened to avoid recurrence.

2.4.41 Irregular payment against excess procurement of sleepers – Rs 240.63 million

According to Chapter 4 of Guidelines for Project Management of Planning Commission the two main principles to be observed are economy and regularity. Project Directors have to ensure and adhere to the above financial principles.

During audit of Project Director Rehabilitation of Rolling Stock and Track in November 2018, it was observed that 305,000 sleepers were required for 125 Km CTR and casual sleepers renewal. But Project management placed an order with CSF organization for manufacturing 388,886 sleepers, valuing Rs 1,115.526 million. This resulted in unnecessary procurement of 83,886 sleepers causing a loss of Rs 240.63 million to PR. This reflects weak internal controls and slackness on the part of project management.

The matter was taken up with management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility be fixed for excess procurement and action be taken against those held responsible besides adjustment of the amount.

DP No. 9308

2.4.42 Unauthorised consumption of HSD oil – Rs 221.92 million

Para 807 (1) of Pakistan Railways General Code volume-I provides that every public officer should exercise the same vigilance in respect of expenditure incurred from the Government revenues as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of the different formations, it was observed that HSD oil was utilised in excess of fixed quota. This resulted in unauthorized utilisation of excess HSD oil of Rs 221.92 million due to negligence of management as detailed in **Annexure - 6**.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated to fix responsibility regarding unauthorized utilisation of HSD oil in excess of quota. Action be taken against those held responsible besides regularisation of the amount involved.

2.4.43 Unnecessary procurement resulting in blockage of capital – Rs 190.97 million

Para 124 and 2401 of Pakistan Railways Code for the Stores Department provides that a maximum and minimum limit should be laid down for the quantity of each stock item of stores in a depot at any time below or above which the balances should not ordinarily be allowed to go. Further, Para 2233 stipulates that the Stores Department of every Railway should be organized to deal effectively with the disposal of surplus stock, either by sale or issue, or transfer to other Railways.

During audit of various formations, different stock items were found lying beyond maximum limit since long. Neither the material was being utilised nor any efforts were made to dispose off the same. This resulted in blockage of capital amounting to Rs 190.97 million due to unnecessary procurement, non-utilisation and non-disposal as detailed in **Annexure- 7**. This reflects poor inventory management of PR.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that action be taken against persons held responsible for unnecessary procurement. Surplus material be utilised where needed or disposed off in case of unserviceable/dead surplus stock. Inventory management be improved to avoid blockage of capital.

2.4.44 Irregular award of contract regarding design/drawing vetting consultancy – Rs 99.00 million

Clause 2.6.2 of the Request for Proposal (RFP) document provides that consultants have an obligation to disclose any situation of actual or potential conflict that impacts their capacity to serve the best interest of their client, or that may reasonably be perceived as having this effect. Failure to disclose said situations may lead to the disqualification of the consultant or the termination of its agreement. Moreover, Section 1.1 of the RFP document required provision of information regarding National Tax Number (NTN), last three (03) years audited reports of accounts and JV Agreement (of all JV partners) in case of Joint Venture/ Consortium. Besides, in terms of Section 2.13.1 (a) of RFP, the provision of most recent relevant experience was mandatory.

During audit of the project regarding Preliminary design of upgrading Pakistan Railways' existing mainline (ML-1) and establishment of a Dry Port near Havelian in November 2018, it was observed that vetting consultancy contract valuing Rs 99.00 million was wrongly awarded to a Joint Venture (JV) of MMP, CANARAIL and CRIMSON in May, 2017 in contravention of above rules. The following irregularities were observed:

i) Evidence of valid NTN was not available.

ii) Last three years' audit reports and JV agreement in respect of CRIMSON were not furnished.
iii) M/s MMP (Lead Partner) had only completed one consultancy project in Railways in 2017 which was not relevant to Railway engineering sector.
iv) No contribution of CANARAIL was found on record while CRIMSON had no experience at all.
v) A retired Railway officer was working as team leader in the first JV partner (M/s MMP) and was also the owner of CRIMSON (third JV partner) which was not registered with FBR. Therefore, it was apparently included only for personal financial benefit.

This resulted in irregular award of consultancy contract of Rs 99.00 million, to a JV without fulfilling the requisite criteria.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for irregular award of contract to a JV that had no relevant experience. Action be taken against those held responsible. It is also recommended to considered termination of the contract agreement and blacklisting Joint Venture.

DP No. 9333

2.4.45 Irregular modification in standard specification and acceptance of material without trial – Rs 91.00 million

Para 205 of Pakistan Railway code for store department stipulates that standard specification of raw and manufactured materials are prescribed by Railway Division and all materials indented should confirm to standard specification. Clause 3 (iii) of tender documents and clause 4 (i) of purchase order stipulates that manufacturing of crossings shall be according to Pakistan Railway standard specifications T3-53 & T7-49. In addition, all the relevant specifications were also provided to contractor vide TSO letter No. 170-S/21/670/TSO.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that a purchase order valuing Rs 79,964,298, regarding manufacturing/fabrication of points and crossings of different types, with maximum delivery period of 5 months, was awarded to M/S Al Tech engineering on 15.03.2012. Audit observed the following irregularities:

i) The contractor completely failed to supply material according to Railways standard specifications. Instead of cancelation/re-tendering of contract, the standard specifications of material were twice modified on the request of the contractor after issuance of purchase order.
ii) In spite of changes in specifications, the sample provided by the firm could not qualify the laboratory test of PCSIR. Again on the request of contractor, the material was got tested from a laboratory that was not mentioned in purchase order.
iii) After five years of issuance of purchase order, the value of purchase order was enhanced to Rs 91,009,685 due to increase in quantities on 27.03.2017.

This resulted in loss of Rs 91.00 million to Pakistan Railways due to acceptance of material without trial by giving undue favor to contractor.

The matter was taken up with the management in September 2018. Management replied that Heavy Mechanical Complex (HMC) Taxila is a renowned testing laboratory. Moreover, no complaint was received from staff as regard to performance of supplied material. The remarks were not acceptable as material was got tested in violation of clause 6 (iv) of purchase order from HMC Taxila laboratory which was not included in the list of laboratories specified for tests. The standard specifications were revised after issuance of purchase order and material was accepted without trial in 2017 i.e. after a period of 5 years.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for changing the standard specifications and testing laboratory on the request of the contractor and acceptance of material without trial. Action be taken against those held responsible besides recovery of amount involved.

DP No. 9238

2.4.46 Loss due to substandard repair of locomotives – Rs 86.16 million

Maintenance Regulation letter No.494-W/367/45-B/Pt-II/(M-4) provides that the time allowed for carrying out maintenance schedules for DE Locomotives is 32 days for C-I repair and 24 days for C-II repair. The periodicity for Class-I repairs is 06 yearly or 1,200,000 kms whichever is earlier.

Contrary to the above, during audit of the Works Manager, CDL Workshops Rawalpindi in November 2018, it was observed that C-I repair of six (06) locomotives was carried out within 1 to 2.8 years. Repair of locomotives before scheduled date indicated that in earlier repairs substandard / defective material was used. This resulted in loss of Rs 86.16 million to PR due to substandard repair of locomotives. This reflects negligence on the part of management.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be inquired at an appropriate level to fix responsibility for substandard repair and action be taken against those held responsible. Supervisory controls be strengthened to avoid recurrence.

DP No. 9321

2.4.47 Unjustified payment against tools and plants in violation of tender documents – Rs 85.32 million

In terms of clause 10.1 (i) of tender specifications of maintenance contract for 63 ZCU20/30 D.E, any additional tool, plant and machinery not available with Pakistan Railways and essentially required for maintenance will be arranged by the contractor at his own. Further, it was made clear in the pre bid conference that firm/contractor would arrange additional tools and machinery etc at its own.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that contract for maintenance of 63 ZCU20/30 D.E. Locomotives was awarded to M/S CRRC Ziyang Co. Ltd on 15.07.2017. M/S CRRC Ziyang quoted rates for additional tools & equipment and plants & machinery in their offer. The rates for additional tools were accepted by tender committee in contradiction to tender specifications and payment of Rs 85,317,734 was made to contractor. It was pertinent to mention that the other bidder did not quote any additional tools in their bids. This resulted in unjustified payment of Rs 85.32 million for items that were not covered under the tender specifications and provision of the same was the sole responsibility of contractor at his own cost.

The matter was taken up with management in September 2018. Management replied that additional items were part of maintenance contract. The reply was not acceptable as maintenance contract was made contrary to tender specifications.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be taken up at an appropriate level to fix responsibility for unjustified procurement of tools and plants. Action be taken against those held responsible besides recovery of the amount involved.

DP No. 9113

2.4.48 Extra cost due to unauthorised change in scope of work – Rs 44.09 million

As per modified PC-I dated October 2015 regarding procurement/manufacturing of 585 Hopper Wagons & 20 Brake Vans for Coal Transportation (phase-II), 300 wagons should be manufactured from CKD in Mughalpura Workshops, loco shops & in Carriage Factory, Islamabad. Para 9.2 of Project Management Guidelines stipulates that for change in scope of work or cost of the project beyond 15%, approval of the competent authority who approved the project is necessary.

During audit of PD/585 High Capacity Hopper Wagons (HCHW), it was observed that 110 (37% of work) hopper wagons (CKD) were manufactured in Pakistan Locomotive Factory, Risalpur instead of Mughalpura Workshops, Lahore. The change in scope of work beyond 15% was required to be approved by ECNEC which was not done. This resulted in higher production cost of Rs 386,525 per wagon. Thus Pakistan Railway suffered loss of Rs 44.093 million due to unauthorised change in scope of work. Had the project been completed according to approved PC-I, unauthorised excess expenditure of Rs 44.09 million could have been avoided.

The matter was taken up with the management in September, 2018 and management replied that labour overhead charges at PLF Risalpur were higher than Loco and Construction Shops, MGPR. The remarks were not tenable because had the project been executed according to approved PC-I, the extra expenditure could have been saved.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility for incurring extra cost in violation of PC-I be fixed and action be taken against those held responsible.

DP No. 9375

2.4.49 Irregular payment to K-Electric on account of withholding income tax – Rs 27.83 million

According to clause 1 of Section 49 of Income Tax Ordinance 2001, the income of Federal Government is exempt from tax under this ordinance.

During audit of the Divisional Electrical Engineer (Power) Karachi, in November 2018, it was observed that an amount of Rs 27,829,221 had been paid to K-Electric on account of withholding income tax on electricity bills from July 2015 to September 2018. This resulted in irregular payment of Rs 27.83 million as withholding income tax due to weak financial controls and slackness on the part of management.

The matter was taken up with the management in November 2018. Management replied that as per K-Electric the exemption to consumers was granted on the basis of certificate issued from FBR. The matter was being forwarded to Headquarters Office to take up the issue with FBR and get the required certificate. Progress of the matter referred to FBR was awaited.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for irregular payment of withholding income tax and for not taking up the matter with FBR. Action be taken against those held responsible. Necessary adjustment be made with K-Electric and internal controls regarding tax management be improved to avoid recurrence.

DP No. 9279

2.4.50 Procurement of bridge and crossing timbers without moisture test – Rs 26.52 million

As per Chapter II, General requirement of standard specifications for hard wood sleepers 1983, the sleepers shall only be of first grade/class and with moisture content not more than 20%.

During audit of Project Director Rehabilitation of Rolling Stock and Track in November 2018, it was observed that 2,428 crossing timbers and 613 bridge timbers valuing Rs 26,522,935 were procured from M/s Ahmed & Co in 2016. The moisture test was not carried out in absence of which its suitability could not be ascertained. This resulted in irregular procurement of hardwood timber of Rs 26.52 million in violation of standard specifications. This also reflects weak procurement controls and slackness on the part of management.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated to fix responsibility for not conducting moisture test and action be taken against those held responsible. Procurement controls be strengthened to avoid recurrence.

DP No. 9319

2.4.51 Undue favour to the contractor due to non-cancellation of purchase order worth – Rs 3.58 million

In terms of clause 7 of purchase order, supply shall be commenced within two months from date of issue of purchase order which should be completed upto 13.02.2017.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that contract was awarded to M/s Nazir Engineering Lahore for supply of 6400 beater steel 8 lbs at the cost of Rs 3,584,000 on 14.04.2016 with delivery period of 10 months i.e. upto 13.02.2017. But not a single supply was received from contractor till November 2018. Instead of cancellation of purchase order, forfeiture of security deposit and black listing the contractor, many extensions in delivery period were granted; last extension was up to 30.08.2018. Even then the contractor failed to supply the material. This resulted in loss to PR due to undue favour to the contractor and also depicts that material was not required by Pakistan Railways.

The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC was informed that purchase order had been cancelled with forfeiture of 5% security deposit, to the tune of Rs 179,200 and the firm had also been debarred from taking part in the future, tender of this item for one year. DAC directed the PO to hold an inquiry and report be shared with Audit within 15 days. Compliance of DAC directives was awaited.

Audit recommends that inquiry be finalised to fix responsibility and action be taken against those held responsible under intimation to Audit.

DP No. 9152

INTERNAL CONTROL WEAKNESSES

2.4.52 Loss due to less recovery of cost of Railway land handed over to Port Qasim Authority – Rs 8,092.36 million

Prime Minister's Secretariat (Public), Islamabad letter dated 18.01.2006, directed that Port Qasim Authority (PQA) should make payment to Pakistan Railways for the said land at the rate at which they have allotted the industrial plots.

During audit of Property and Land Department, Karachi in March 2018, it was observed that Pakistan Railways' prime land at Jumma Goth was under illegal occupation of PQA since long. The dispute regarding title of Railway land was decided by the Economic Coordination Committee in November 2007 on the ground that PR would hand over the land measuring 220.37 acre to PQA at the rate of Rs 2.00 million per acre. Railway management handed over the possession of land valuing Rs 8,532.73 million (evaluated by approved evaluator of SBP) to PQA without signing any lease agreement. PQA deposited only Rs 440.37 million with PR during June 2006. This resulted in loss of Rs 8,092.36 million to PR due to non-recovery of cost of Railway land and handing over land without executing lease agreement.

The matter was taken up with the management in March 2018 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO that a reference be made to ECC at an early date and the matter be pursued vigorously under intimation to Audit. Inquiry be conducted as to why DS, Karachi failed to comply with instructions and provide a copy of the evaluator report in time. Compliance of DAC directives was awaited.

Audit recommends that the matter be referred to ECC without further delay under intimation to Audit. The matter be investigated to fix responsibility for not agitating the issue on the less price fixed by ECC.

DP No. 8915

2.4.53 Loss due to non-recovery of Railway dues from different entities – Rs 6,621.41 million

Para 316 (a) of Pakistan Railways Accounts Department stipulates that the amounts due to Railways for services rendered, supplies made or for any other reasons are correctly and promptly assessed and recovered as soon as they fall due.

During audit of different units of Pakistan Railways, it was observed that an amount of Rs 6,621.41 million was recoverable from private individuals, autonomous bodies and various Government departments such as Postal department, WAPDA, Defence Department, Irrigation Department, Food department, Education department, District/Provincial Governments etc. as detailed in **Annexure - 8**.

The matter was taken up with management and management replied that efforts were being made to expedite the recovery.

Most of the cases were discussed in various DAC meetings and minutes of the same have been incorporated in **Annexure - 8**.

Audit recommends that serious efforts be made to expedite recovery besides fixing responsibility for non- recovery of dues in each case.

2.4.54 Loss of potential earnings due to non-auction, construction and handing over the possession of shops and land – Rs 3,875.18million

Para 807 of Pakistan Railways Code for the Engineering Department provides that all Railway land should be managed on commercial lines, and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which, though not eligible for disposal are lying idle and can be put to profitable use.

During audit of different formations, it was observed that Railway management failed to auction and construct shops timely. In certain cases possession of shops and auctioned land were also not handed over to lessees. This resulted in loss of potential earnings amounting to

Rs 3,875.18million due to negligence and inefficiency of Railway management as detailed in **Annexure - 9.**

Despite repeated requests the PAO did not convene meeting of the DAC except paras at Sr. No. 4, 6 and 8.

Audit recommends that Railway administration ensure timely construction and auction of shops. Action be taken against the persons responsible. Auction of the sites be conducted without further loss of time to augment Railway receipts.

2.4.55 Loss due to non-revision of rental charges in accordance with policy – Rs 3,231.00 million

As per policy dated 11.08.1987 rental charges @ 15% of the market value of land will be charged w.e.f. 01.08.1987 in connection with licensing out Railway land for commercial purpose not connected with Railway working. Further, in terms of revised policy dated 26.12.2015 for leasing/licensing of Railway land for stacking purpose, minimum bench mark of rental charges was revised @ 8% of DC rate per annum with 20% increase in rent for next years' extension. Furthermore, the General Manager/Operations ordered that open bidding should be arranged after expiry of extension period i.e. 2017.

During audit of the Deputy Director, Property & Land, Lahore Division in February 2018, it was observed that 4603.62 marlas Railway land was leased out to Steel Traders, Badami Bagh, Lahore for 12 years. The license period expired on 30.06.2011. After expiry of license period, the lease period was extended for three years upto 30.06.2014 which was further extended upto 30.06.2017. Rental charges were required to be revised at the rate of 15% of market value, whereas Railway management increased the rental charges at the rate of 25% on the base rates of the years 2011 and 2014 respectively. Besides, no lease agreements were executed with the occupants during the entire period. This resulted in loss of Rs 3,231.00 million due to non-revision of rental charges as per policy. This reflects poor internal controls of management.

The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that CEO had nominated a committee comprising DG Legal Affairs, FA & CAO, CEN/Open Line and Director Property & Land to devise a mechanism to resolve the issue. Audit informed the DAC that occupants were allowed to occupy land without any agreement. DAC directed the PO that an inquiry committee be formed to fix responsibility against those who allowed the occupants to occupy land without agreement and report be shared with Audit. Updated position of the committee already constituted by CEO may also be shared with Audit. Compliance of DAC directives was awaited.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for irregular revision of rental charges and non-execution of lease agreements. Action be taken against those held responsible besides recovery of the amount involved. Fresh auction in accordance with the policy in vogue may also be considered.

DP No. 8977

2.4.56 Non-recovery of outstanding dues on account of operational charges of sidings and level crossings – Rs 2,638.04 million

Para 316 (a) of Pakistan Railways Code for the Accounts Department stipulates that the amounts due to the Railway for services rendered, supplies made, or for any other reason, are correctly and promptly assessed and recovered as soon as they fall due.

During audit it was observed that an amount of Rs 2,638.04 million was outstanding against Government departments and private bodies/organizations on account of maintenance and operational charges of sidings and level crossings as detailed in **Annexure - 10.** Railway management did not make any effort to recover the same which reflects negligence on the part of management.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that responsibility be fixed for non-recovery of the amount and action be taken against those found negligent. Amount involved be recovered without further loss of time.

2.4.57 Non deduction of withholding income tax and GST – Rs 380.00 million

Chief Commercial Manager's office letter No. 80-AC/Sales Tax/06/Loose(3) dated 15.04.2015 directs that all offices who are dealing with contractors under agreements executed by them are responsible to collect and deposit withholding Tax @ 10% and General Sales Tax @ 17% from the contractors and deposit with the concerned office.

During audit of different units of Pakistan Railways, it was observed that an amount of Rs 380.00 million was not deducted from different contractors on account of withholding income tax/GST. This resulted in loss of Rs 380.00 million to Government Exchequer due to weak tax management as detailed in **Annexure - 11**.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated at an appropriate level to fix responsibility for non-deduction of taxes. Action be taken against those held responsible besides recovery of the amount involved from person (s) at fault.

2.4.58 Acceptance of material without trial and tests – Rs 162.53 million

As per clause 10 & 11 of special terms & conditions of tender, the contractor shall manufacture/fabricate two crossings & switches one set of 1:16 & one set of 1:12 as well as one completed set of turnout of 1:16 which should be installed in Lahore and Raiwind Yard for trial purpose for a period of one month. Mass production as per tendered quantity will be allowed after successful performance report by Chief Engineer. Further, clause 3 (iii) and 12 (iv) also provide that material should be according to Railway standard specification and the material like bolts, nuts and filler blocks must also be tested.

During audit of the Chief Controller of Purchase, Lahore in September 2018, it was observed that a purchase order for manufacturing / fabrication of crosses and switches worth Rs 162,530,550 was awarded to a consortium (M/s PRACS & M/s Al Tech) in June 2017. The consortium was allowed mass production of items in clear violation of tender conditions i.e. before the trial of crosses, switches and turnouts. It was also observed that chemical composition and bend test of nuts, bolts and crossing bolts, etc. was also not performed in violation of Railway standard specifications. However, the material was declared suitable by DCP(I) without any trial and laboratory test. Thus acceptance of material amounting to Rs 162.53 million without trial/tests, by giving undue favour to the consortium was against the interest of Pakistan Railways.

The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC was informed that test and trial were meant to be applicable for a manufacturer who would undertake manufacturing of points and crossings for the first time. DAC took a serious view regarding non-conducting of test and trial as required under the agreement and directed the PO to inquire into the matter and fix responsibility within 15 days. Compliance of DAC directives was awaited.

Audit recommends that inquiry be finalised at an appropriate level to fix responsibility for allowing mass production and acceptance of material, before trial and tests. Action be taken against those held responsible besides strengthening internal controls regarding procurement.

DP No. 9163

2.4.59 Loss due to award of contracts at exorbitant rates – Rs 152.25 million

Para 807 (1) of Pakistan Railways General code volume-I provides that every public officer should exercise the same vigilance in respect of expenditure incurred from the Government revenues as a person of ordinary prudence would exercise in respect of expenditure of his own money.

During audit of different formations, it was observed that various tenders for civil works and procurement were awarded to different contractors on different rates. The rates accepted were on higher side as compared with those of other similar nature of works/procurement awarded during the same financial year within the same vicinity. This resulted in loss of Rs 152.25 million due to negligence of management as detailed in **Annexure - 12**.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be inquired for awarding contracts at higher rates. Responsibility be fixed and action be taken against those held responsible besides recovery of the amount involved.

2.4.60 Loss of potential earnings due to non-auction of vending stalls/parking stands – Rs 124.07 million

Para 807 of Pakistan Railways Code for the Engineering Department provides that all Railway land should be managed on commercial lines, and Railway administration should endeavor to develop the resources of, and put to profitable use, any areas in its occupation which, though not eligible for disposal are lying idle and can be put to profitable use.

During audit of different formations, several cases of non-auction of vending stalls and parking stands were observed. This resulted in loss of potential earnings amounting to Rs 124.07million due to negligence of Railway management as detailed in **Annexure - 13**:

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that Railway administration may ensure timely auction of stands/stalls. Action be taken against the persons responsible. Auction of the sites be conducted without further loss of time for optimal use of available resources.

2.4.61 Unauthorised payment of overtime without budgetary provisions – Rs 35.07 million

Para 429 of State Railway General Code provides that no expenditure shall be incurred by an authority without the allotment of necessary funds. In exceptional cases, where expenditure is authorized in anticipation of the allotment of funds, or in excess of the existing provision, the authorization should followed as soon as possible by a formal allotment of funds to the extent required.

During audit of Works Manager, CDL, Workshop, Rawalpindi in October 2017, it was observed that an expenditure of Rs 35.07 million was incurred on account of overtime allowance without budgetary provision during the year 2016-17. This resulted in unauthorized payment of Rs 35.07 million without budgetary provision. This reflects poor financial controls.

The matter was taken up with the management in October2017 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO to hold an inquiry to probe as to why payment of overtime was made without budgetary allocation and report be shared with Audit within one month. Compliance of DAC directives was awaited.

Audit recommends that inquiry be finalised and responsibility be fixed for making payment without budgetary provisions and action be taken accordingly.

DP No. 8652

2.4.62 Irregular procurement of material due to inclusion of defective clause in the agreement – Rs 22.14 million

Clause 38.1 of Pakistan Engineering Council Standard forms of bidding for procurement of Electrical & Mechanical Works provides that each bidder shall satisfy himself before bidding as to the correctness and sufficiency of his bid. The rates and prices entered in the schedule of prices shall cover all his obligations under the contract and all matters and things necessary for proper completion of the works. In terms of Contract Act 1872, agreements, the meaning of which are not certain or capable of being made certain are void.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that a contract agreement for maintenance of 63 ZCU 20/30 D.E Locomotives was executed between Pakistan Railways and M/s CRRC Ziyang Co. Ltd on 15th July, 2017 for a period of three years. An amount of Rs 328,794,237 (US$ 3,072,843.340@ Rs.107) was kept on account of contingency under clause 4.6 of the contract. This contingency clause was defective because under clause 29 of contract act 1872, an agreement/contract for unforeseen events could not be made. Moreover, out of total Rs 328,794,237, parts worth Rs 22,138,433 were procured. The procured parts were neither covered under maintenance contract nor quoted by the contractor in technical and financial bids. The procurement of these parts was irregular as these were purchased without any competitive bidding and in violation of PPRA Rules. This resulted in irregular procurement of material valuing Rs 22.14 million due to negligence of management.

The matter was taken up with the management in August 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated to fix responsibility for inclusion of defective clause in the maintenance agreement and purchase of material in violation of PPRA Rules. Action be initiated against those held responsible under intimation to Audit.

DP No. 9202

2.4.63 Irregular acceptance of hydraulic lubricating oil without performing prescribed tests – Rs 17.93 million

Para 350 of Pakistan Railway code for store department stipulates that all articles shall be subject to inspection before acceptance and articles for which specifications and/or tests have been prescribed by competent authority should be required to conform to specifications and to satisfy the prescribed test or tests.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that 125,000 litre hydraulic lubricating oil valuing Rs 17,930,000 was purchased from M/s PSO on 14.09.2017. As per specifications of supply order, eleven parameters were required to be tested. Out of total only six parameters were tested by CC & M/ MGPR and remaining five parameters could not be tested due to non-availability of desired facility at Central Laboratory of Pakistan Railways. Instead of getting the tests done from any other laboratory at the cost of the contractor, the said oil was declared suitable by CCP on the basis of blend test report of contractor which also did not cover the five requisite tests. Thus acceptance of material valuing Rs 17.93 million was irregular and possibility of supply of substandard quality of oil could not be ruled out. This reflects weak procurement management.

The matter was taken up with the management in August 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO that matter may be taken up with PSO to provide test report on 11 parameters. In future, all parameters should be included in tender and contract should be awarded only to that firm who able to test 11 parameters. Compliance of DAC directives was awaited.

Audit recommends that the matter be investigated at an appropriate level to fix responsibility for acceptance of oil without performing desired tests. Action be taken against those held responsible and material be got tested at the cost of contractor from a recognised laboratory.

DP No. 9200

2.4.64 Misclassification of expenditure – Rs 9.12 million

Para 1016 of Accounts Code regarding allocation of expenditure describes that correct classification should be followed in accounts irrespective of whether the provision in the budget has been made under the correct unit or not. Further, Para-429 of Pakistan Railway General Code also provides that no expenditure shall be incurred by an authority without the allotment of necessary funds. In exceptional cases, where expenditure is authorized in anticipation of the allotment of funds, or in excess of the existing provision, the authorization should be followed as soon as possible by a formal allotment of funds to the extent required.

During audit of different formations, it was observed that an expenditure of Rs 9,122,463incurred on procurement of physical assets and repair of building was irregularly booked to irrelevant head of accounts. This resulted in misclassification of expenditure amounting to

Rs 9.12 million due to weak financial controls of management as detailed below:-

(*Rs in million*)

Sr. #	DP No.	Formation	Description of item	Charged to head	Should be charged	Amount
1.	9312	Electrical Department, Lahore Division	Repair of buildings	Repair and maintenance of machinery and equipment-A13101/B-5	Repair and maintenance of service and residential buildings-13301/B-1,13302/B-1	5.15
2.	9342	Divisional Electrical Engineer/(Power) Karachi	Air conditioners, electric water coolers, fans, diesel generators,	Repair and maintenance of machinery and equipment-A13101/B-5	Purchase of Plant & Machinery-A 9601	2.74
3.	9310	Electrical Department, Lahore Division	Air conditioners	Repair and maintenance of machinery and equipment-A13101/B-5	Purchase of Plant & Machinery-A 9601	1.23
Total						**9.12**

The matter was taken up with the management in November 2018. Management replied against Sr. No. 1 and 3 that detailed reply would be submitted shortly. Against Sr. No.2, it was replied that that procurement of all electrical material was made in the best interest of Railways. In respect of Sr. No. 1 and 3 no reply was received. The remarks against Sr. No. 2 were not acceptable as expenditure was irregularly booked to irrelevant head of account.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated to fix responsibility for booking of expenditure to irrelevant heads of accounts. Action be taken against those held responsible besides strengthening internal and financial controls.

2.4.65 Undue favour to contractors by accepting material of wrong specifications – Rs 7.81 million

Para 761 of Pakistan Railways Code for the Stores Department stipulates that stores should be checked with the standard specifications or drawings on which the order is based. Further, Para 350 also provides that articles for which specifications and/or tests have been prescribed by competent authority should be required to conform to specifications and to satisfy the prescribed test or tests.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that Railway management accepted material valuing Rs 7,814,700 that did not match with ordered specifications/purchase orders. Instead of replacement of defective material, Railway management gave undue favour to contractors, changed the specifications in purchase order and accepted the material. This resulted in irregular payment of Rs 7.81 million due to acceptance of material of wrong specifications.

The matter was taken up with the management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO to hold inquiries in respect of both paras and inquiry reports be shared with Audit within 15 days. Compliance of DAC directives was awaited.

Audit recommends that the matter be inquired at an appropriate level to fix responsibility for accepting material of wrong specifications by changing the purchase order and action be taken against those held responsible.

DP No. 9084 & 9104

2.4.66 Irregular expenditure on late payment surcharges to LESCO – Rs 4.09 million

As per clause-iv of the agreement between Pakistan Railways and DISCOs regarding advance payment, no late payment surcharge will be levied on the account numbers relating to Railways department in case of advance payment.

During audit of the Deputy Chief Electrical Engineer/ In-charge, in October 2018, it was observed that an amount of Rs 4.09 million was charged by LESCO in the bill of July 2018 on account of late payment surcharge. Pakistan Railways was making advance payment to WAPDA for electricity, therefore charging of late payment surcharge was irregular. This resulted in irregular expenditure of Rs 4.09 million due to late payment surcharge in violation of agreement. This shows weak financial controls and slackness on the part of management.

The matter was taken up with the management in October 2018. Management replied that the amount would be recovered from LESCO. The reply was not acceptable because irregular expenditure was incurred on late payment surcharge.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that amount paid be adjusted without further loss of time. Contract management and financial controls be strengthened to avoid recurrence.

DP No. 9324

OTHERS

2.4.67 Loss of land due to negligence of Railway management – Rs 45,330.25 million

Para 803 of Pakistan Railways Code for the Engineering Department provides that it is the duty of Railway administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment.

During audit of Property and Land Department, Karachi in March 2018, it was observed that eighteen prime sites at Karachi Division were encroached by private individuals since long. The Government of Sindh also irregularly leased out the same Railway land to private parties without the consent of Pakistan Railways. The encroachers had constructed multi-storied buildings on Railway's prime land, while Railway management remained unaware. In fact Railway management failed to preserve the title of Railway's land. The encroachers also obtained stay orders from courts and continued construction. Resultantly Pakistan Railways was deprived of title of prime land worth Rs 45,330.25 million. This shows gross negligence of Railway administration which resulted in loss to Pakistan Railways.

The matter was taken up with the management in March 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that action be taken for early retrieval of land and responsibility be fixed against those found negligent.

DP No. 8916

2.4.68 Encroachment of Railways land – Rs 5,852.82 million

Para 803 of Pakistan Railways Code for the Engineering Department provides that it is the duty of Railway administration to preserve unimpaired the title to all land in its occupation and to keep it free from encroachment.

During audit of different formations of Pakistan Railways, it was observed that 183.52acres Railways land and 48 shops valuing about Rs 5,852.82 million were encroached by individuals, Government Departments and Defence Department etc. as detailed in **Annexure - 14**. Thus a huge chunk of Railway land was under encroachment due to negligence of management and Pakistan Railways was being deprived of potential lease earnings.

The issues were taken up with Railway management and discussed in various DAC meetings. Management replied that continuous efforts were underway to retrieve and regularise land.

Audit recommends that action be taken for early retrieval of land and responsibility be fixed against those found negligent.

2.4.69 Non adjustment of accidental losses – Rs 905.24 million

Para-372 of Pakistan Railways Code for the Accounts Department provides that the defalcation or loss should be reported to the Accounts Officer and Statutory Audit and should be investigated by the Executive in association with Accounts representative with a view to fix responsibility.

Audit of the following formations revealed that Pakistan Railways sustained a loss of Rs 905.24 million due to accidents, derailments and other reasons. The Railway management did not report the losses to the Accounts Officer and Statutory Audit. Moreover, no responsibility had been fixed despite lapse of ten years in some cases. This resulted in non-adjustment of losses of Rs 905.24 million in the books of accounts due to failure of financial management controls.

(Rs in million)

Sr. #	DP No.	Formation	Period of Audit	Amount
1	9306	Mechanical Department, Lahore	August 2018	782.40
2	8812	Divisional Commercial and Divisional Transportation Officers	April 2017	106.28
3	8613	Civil Engineering Department, HQ Offices, Lahore	August 2017	10.75
4	9243	Mechanical Department, Karachi	September 2018	5.81
Total				**905.24**

The matter was taken up with the management from April 2017 to September 2018. Management replied against Sr. No. 1 that locomotives were damaged during accidents and were enquired properly. Against Sr. No. 2, it was replied that the reports had been sent to COPS Headquarters Office, Lahore for acceptance. Against Sr. No. 3 it was replied that the matter had been already been referred to DS/Karachi and reply would be furnished shortly. Against Sr. No. 4 it was replied that concerned quarters had been informed for taking remedial measures. The remarks were not acceptable as the adjustment of losses had not been made in Books of Accounts in violations of codal provisions.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be taken up at an appropriate level to fix responsibility for not reporting the matter to Accounts and Statutory Audit and non-adjustments of losses in Books of Accounts. Financial management controls be strengthened to avoid recurrence.

2.4.70 Loss due to non-replacement of wrong/defective material – Rs 489.41 million

Para 761 of Pakistan Railways Code for the Stores Department stipulates that stores should be checked with the standard specifications or drawings on which the order is based. In rare cases where orders have been made to a sample, a standard sealed sample shall be held by the inspecting officer, and stores be accepted only if they are up to the standard sample.

During audit, it was observed that material supplied was either defective or of wrong specifications. But Railway management made payment of defective material valuing Rs 489.41 million as detailed in **Annexure - 15.** Moreover, the wrong/defective material was not got replaced due to negligence of PR management.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the material be got replaced immediately and responsibility be fixed for this lapse.

2.4.71 Non-recovery of warranty claims from supplier of Diesel Electric (D.E) locomotives – Rs 260.63 million

Clause 14.1 of the contract executed on 7.12.2012 between Ministry of Railways and M/s CSR Ziyang Co provides that the seller warrants that the material shall be in accordance with the specifications and that the locomotives and all individual components shall be free from all defects in quality and workmanship and shall arrange for replacing free of cost any part of the equipment/material which under normal use and maintenance proves defective in quality or workmanship or fails to comply with the performance laid down in the specifications for a period of 24 months from the date of putting into service.

During audit of the Mechanical Department, Lahore in September 2018, it was observed that 29 (2000-2500 HP) D.E locomotives were purchased from M/s CSR Ziang China in 2012 with the warranty period of 24 months. These locomotives became defective during warranty period and Railway management incurred Rs 260.63 million for their repair and modification in main frames. These expenditures were required to be borne by M/s CSR Ziang China but no efforts were made by the management to recover the same. This resulted in loss of Rs 260.63 million due to non-recovery of warranty claims and slackness on the part of management.

The matter was taken up with management in September 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated to fix responsibility and amount involved be recovered without further delay.

DP No. 9119

2.4.72 Irregular award of contract agreement due to non-receipt of performance security – Rs 86.97 million

As per section 39 of PPRA Rules, 2004, where needed and clearly expressed in the bidding documents, the procuring agency shall require the successful bidder to furnish a performance guaranty which shall not exceed 10% of the contract amount. Further, as per instruction to bidders the successful bidder shall furnish to the employer a performance security in the form and the amount stipulated in the conditions of contract within 14 days after the receipt of acceptance letter. In case of failure, sufficient ground for annulment of the award and forfeiture of bid security exist.

During audit of different formations, it was observed that a number of agreements were executed with different contractors for procurement and works. The contractors were required to furnish performance security within the stipulated time but failed to do so. Despite the fact that contractors did not furnish performance security/bank guaranty, management executed the contract agreements with them. This resulted in irregular award of contract agreement due to non-receipt of performance security amounting to Rs 86.97 million as detailed in **Annexure - 16**.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated for not obtaining performance security and extending undue favour to the contractors. Contract management controls be strengthened to avoid recurrence.

2.4.73 Unauthorised expenditure on account of labour and overhead charges against the provision of PC-I – Rs 30.43 million

As per Annexure-II and IV of PC-I of Procurement/Manufacturing of 585 Hopper Wagons & 20 Brake Vans for coal transportation (phase-II), labour and overhead charges were Rs 0.700 million per wagon.

During audit of Project Director 585 High Capacity Hopper Wagon in September, 2018, it was observed that an amount of Rs 114,432,424 on account of labour and overhead charges was booked to the production of 120 hopper wagons/vans against the provision of

Rs 84,000,000 as provided in PC-I. This resulted in unauthorized expenditure of Rs 30.43 million due to incurrence of labour and overhead charges in excess of provision.

The matter was taken up with the management in September 2018. Management replied that manufacturing cost of hopper wagons included labour, overhead charges and indigenous material valuing Rs 1.20 million (Rs 0.700 + 0.500 million). The remarks were not relevant as Audit had only objected to the figures of labour and overhead charges booked in excess of provision.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated at an appropriate level to fix responsibility for charging expenditure in excess of provisions, besides taking action against those held responsible.

DP No. 9181

2.4.74 Loss due to unjustified payment to NTC – Rs 11.61 million

Para 1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realises fully and clearly that he will be held personally responsible for any loss sustained by Government through fraud or negligence on his part.

During audit of the Chief Engineer/Telecom, Lahore in November 2018, it was observed that M/s NTC’s Video Conferencing Facility was commissioned in all important offices of Pakistan Railways including Ministry of Railways, Islamabad and all operating divisions in terms of Ministry of Railways’ directives dated 19th November, 2013. However, during May 2016 the broadband services already acquired from PTCL were upgraded to support video conferencing facility but services of NTC were not discontinued up to July 2018. This resulted in unjustified payment of Rs 11.61 million to NTC for that services which were not used by Pakistan Railways from June 2016 to July 2018. This reflects negligence on part of management.

The matter was taken up with the management in November 2018. Management replied that it was decided that services of NTC would be continued and reviewed later on for their closure. The remarks were not acceptable as payment made to NTC in the presence of alternative PTCL connections was unjustified.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated at appropriate level to fix responsibility for unjustified payment to NTC, besides recovery of the amount involved.

DP No. 9350

2.4.75 Sub-standard work and non-imposition of LD charges – Rs 9.37 million

Para-1801 of Pakistan Railway General Code provides that means should be devised to ensure that every Railway servant realises fully and clearly that he will be held personally responsible for any loss sustained through fraud or negligence on his part.

During audit of Civil Engineering Department Peshawar, in August 2018, it was observed that an agreement valuing Rs 8.52 million for fabrication and erection of steel ground storage oil tank of 750,000 liters capacity with completion period of four months was executed with M/s Pakistan Industrial Aid on 14.04.2017. The contractor started work on 23.05.2017. The Assistant Engineer/Bridges pointed out in June 2017 that the building material being used by the contractor was sub-standard and foundation work was also not in accordance with approved drawings. The work was not completed by the contractor till August 2018. Further, LD charges amounting to Rs 0.85 million (8.516x15%) were also not recovered from the contractor for such inordinate delay. This resulted in loss of Rs 9.37 million due to sub-standard work and non-recovery of LD charges.

The matter was taken up with the management in August 2018. Management replied that detailed reply would be submitted after completion of work. Progress of the case was not furnished to Audit.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated for execution of sub-standard work by the contractor and results reported to Audit, besides recovery of LD charges.

DP No. 9255

2.4.76 Irregular re-appropriation of funds – Rs 5.50 million

Finance Division vide letter O.M No.3(4)Exp-III-2018 imposed complete ban on re-appropriation of funds under Revenue and PSDP Grants w.e.f. 21-02-2018.

During audit of the Chief Controller of Purchase, Lahore in August 2018, it was observed that funds amounting to Rs 5.50 million were re-appropriated from the head "Misc. Store" 2017-18 (INT) to head "DE loco spares", in contravention of Finance Division's instructions. This resulted in irregular re-appropriation of funds of Rs 5.50 million due to weak financial controls and slackness of the management.

The matter was taken up with management in September 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO to refer the matter to CFO Ministry of Railways to check the authenticity of misappropriation and submit his report to Audit within one week. Compliance of DAC directives was awaited.

Audit recommends that the matter be investigated at an appropriate level to fix responsibility for irregular re-appropriation of funds, besides taking action against those held responsible.

DP No. 9083

2.4.77 Irregular absorption of an employee – Rs 3.38 million

S.No. 2-A (4) of ESTA Code provides that the appointment by transfer shall be made from amongst the persons holding equivalent appointment in the Ministries/Divisions/Departments under the Federal Government on regular basis.

During audit of Ministry of Railways Islamabad in November 2018, it was observed that Mr. Aamir Aslam Cheema, an employee of RAILCOP was transferred to Ministry of Railways Islamabad on 28th February 2013 with the condition that he would not claim permanent absorption in the Ministry. Subsequently, the employee was permanently absorbed as Assistant (BPS-14) irregularly without any vacancy in the Ministry of Railways from the date of his transfer on 24th May 2013. RAILCOP being a private limited company, its employee could not be permanently absorbed in any department of Federal Government. This resulted in irregular expenditure of Rs 3.38 million on pay and allowances of an employee who was irregularly absorbed. This reflects weak human resource management.

The matter was taken up with the management in November 2018. Management replied that detailed remarks would be submitted after scrutinising the record but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that matter be investigated to fix responsibility for irregular absorption of the employee and action be taken against those held responsible. Employee immediately be transferred back to RAILCOP besides recovery of the irregular expenditure.

DP No. 9289

2.4.78 Irregular and unjustified purchase of vehicles – Rs 3.56 million

Rule 24(2) of Staff Car Rules provides that 1300 CC car is allowed to Secretaries/Secretaries General/Parliamentary Secretaries and officers equivalent to BPS-22.

During audit of the Project Director, Rehabilitation of Rolling Stock and Track, Lahore in November 2018, it was observed that Railway management purchased two Toyota Corolla XLI 1300 cc vehicles valuing Rs 3,564,000 during September 2016. Soon after their procurement, these vehicles were placed at the disposal of AGM/M and GM/M&S for their use. No officer in the hierarchy of the project was entitled to 1300 cc cars.

Therefore purchase of the same was irregular. Further, these vehicles were never utilised for the project and remained under use of above mentioned officers. This indicates that said vehicles were not required for the project and same were purchased unnecessarily. This resulted in irregular and unjustified expenditure of Rs 3.56 million on purchase of vehicles in violation of Staff Car Rules.

The matter was taken up with the management in November 2018 but no reply was received.

Despite repeated requests the PAO did not convene meeting of the DAC.

Audit recommends that the matter be investigated for irregular/unjustified purchase of vehicles and action be taken against those held responsible.

DP No. 9331

2.4.79 Irregular appointment of an unqualified employee against a technical post – Rs 2.41 million

As per Supreme Court orders in C.P. No. 78-K of 2015 dared 03rd October, 2018 that the "Government shall not allow or permit any person to perform professional engineering work as defined in the PEC Act does not possess accredited engineering qualification from the accredited engineering institution and his name is not registered as a registered engineer or Professional Engineer under the PEC Act. In terms of Pakistan Engineering Council (PEC) letter No. Legal/063/12 dated 30/1/2012, no person shall unless registered as an Engineer or a Professional Engineer, hold any post in an Engineering Organization where he has to perform professional engineering works. As per PR Gazette No-12 dated 15/6/2009, it was notified that no employee would be allowed to be utilised on job other than his own category.

During audit of Pakistan Railways Freight Transportation Company in April 2018, it was observed that an employee of Pakistan Railways, Mr. Ejaz Mahmood, Assistant Private Secretary (BS-16) was transferred and appointed as Manager Technical in PRFTC on 15.07.2015.

The Manager Technical was a professional engineering post but the above named employee neither had any professional qualification nor was he registered as engineer with PEC. This resulted in irregular appointment of an unqualified employee against a technical post and also caused irregular expenditure of Rs 2.41 million on account of pay and allowances. This reflects poor human resource management.

The matter was discussed with the management in March 2018 and also discussed in DAC meeting held on 12th November, 2018. DAC was informed that the official concerned was appointed in his own pay scale to assist the Director Technical in all official matters like preparation of tender documents, estimates, reports, carrying out technical evaluation, and dealing with financial matters etc of Technical Department of PRFTC. DAC did not agree with management stance and directed that amount paid to the employee in excess of pay and allowances he had last drawn from Pakistan Railways i.e. transfer pay, mobile charges and personal pay may be recovered and got verified from Audit. Compliance of DAC directives was awaited.

Audit recommends that responsibility be fixed for appointment of an unqualified employee against a technical post and action be taken against those held responsible, besides complying with the directives of DAC.

DP No. 8988

Annexure - 1

Area wise segregation of Audit Paras (Pie Chart Data)

(Rs in million)

Land		Irregularities related to PSDP		Others including theft, embezzlement, blockage of capital and violation of PPRA etc.		Recoverable	
AP	**Amount**	**AP**	**Amount**	**AP**	**Amount**	**AP**	**Amount**
2.4.14	437.83	2.4.13	933.57	2.4.1	388.12	2.4.36	2.16
2.4.54	3,875.18	2.4.15	419.9	2.4.2	82.81	2.4.49	27.83
2.4.60	124.07	2.4.20	100.00	2.4.3	56.03	2.4.52	8092.36
2.4.67	45330.25	2.4.23	70.61	2.4.4	27.39	2.4.53	6621.41
2.4.68	5852.82	2.4.25	41.48	2.4.5	11.61	2.4.55	3231
		2.4.26	41.28	2.4.6	7.50	2.4.56	2638.04
		2.4.38	10478.00	2.4.7	5.77	2.4.65	7.81
		2.4.41	240.63	2.4.8	1.96	2.4.71	260.63
		2.4.44	99.00	2.4.9	1.52		
		2.4.48	44.09	2.4.10	1.40		
		2.4.50	26.52	2.4.11	0.00		
		2.4.73	30.43	2.4.12	3287.94		
		2.4.77	3.56	2.4.16	391.58		
				2.4.17	192.56		
				2.4.18	113.14		
				2.4.19	106.64		
				2.4.21	89.72		
				2.4.22	86.27		
				2.4.24	57.52		
				2.4.27	27.08		
				2.4.28	24.94		
				2.4.29	14.22		
				2.4.30	11.82		
				2.4.31	10.89		
				2.4.32	10.79		
				2.4.33	8.66		
				2.4.34	7.99		
				2.4.35	4.17		
				2.4.37	1.9		
				2.4.39	2006.49		
				2.4.40	1775.01		
				2.4.42	221.92		
				2.4.43	190.97		

				2.4.45	91.00		
				2.4.46	86.16		
				2.4.47	85.32		
				2.4.51	3.58		
				2.4.57	380		
				2.4.58	162.53		
				2.4.59	152.25		
				2.4.61	35.07		
				2.4.62	22.14		
				2.4.63	17.93		
				2.4.64	9.12		
				2.4.66	4.09		
				2.4.69	905.24		
				2.4.70	489.41		
				2.4.72	86.97		
				2.4.74	11.61		
				2.4.75	9.37		
				2.4.76	5.5		
				2.4.78	3.38		
				2.4.79	2.41		
	55,620.15		**12,529.07**		**11,789.41**		**20,881.24**

Annexure - 2

DETAIL OF PARAS INCLUDED IN MFDAC

Sr. #	DP NO.	Subject
1.	8457	Loss due to non renewal of agreement and non revision of rent of land leased out to NFC marketing limited- Rs. 115.739 million
2.	8594	Irregular/unauthorized execution of deposit work worth - Rs 15.486 million
3.	8596	Wasteful expenditure on account of purchase of materials - Rs 3.761 million
4.	8597	Loss due to expiry of bank guarantees valuing - Rs 14.345 million
5.	8658	Wasteful expenditure due to less outturn in the shops - Rs 237.512 million
6.	8659	Unjustified expenditure on account of overtime of staff - Rs 279.748 million
7.	8685	Loss on account of salaries and blockage of capital due to non-disposal of material on closed sections of - Rs 1231.8 million
8.	8705	Irregular cannibalization of spare parts/assemblies - Rs 1.141 million
9.	8706	Non recovery of annual recurring charges of salons from different departments – Rs 2.163 million
10.	8709	Loss due to missing of Bogie Wagon (BKCNo.84367) load with 04 Nos frames (BG-64) - Rs 3.481 million
11.	8710	Loss of - Rs. 4.510 million due to detention of trains in Lahore Division
12.	8714	Loss due to non-recovery of rent from illegal occupants of Railway accommodations - Rs 17.815 million
13.	8717	Irregular extra expenditure - Rs 35.040 million on account of establishment charges
14.	8719	Non-recovery of outstanding charges - Rs 59.94 million
15.	8725	Loss due to unjustified payment of utilities bills at PLF Risalpur - Rs.0.575 million
16.	8757	Excess Payment of - Rs. 27.905 million to Contractors on account of Repair of Bridges above revised PC-I
17.	8778	Mis-utilization of funds due to non-provision of electric connection - Rs 4.217 million
18.	8782	Unnecessary purchase of material of locomotives worth of - Rs 0.306 million
19.	8793	Loss due to un-necessary procurement of material - Rs 3.920 million
20.	8798	Loss due to payment of unjustified adjustment/violation charges in Sui Gas bills - Rs 5.335 million
21.	8825	Irregular expenditure due to procurement of material - Rs 1.195 million
22.	8830	Irregular payment on account of pay and allowances due to irregular promotion - Rs 766,975
23.	8831	Loss due to excess consumption of fuel while putting 3000 HP DE locomotives on passenger train service instead of 2000 HP DE locomotives- Rs 1355.55 million
24.	8839	Excess payment on account of custom duty - Rs 3.508 million
25.	8860	Blockage of capital due to unnecessary purchase of hose with fitting – Rs 506,343
26.	8861	Irregular payment and booking of expenditure in the accounts of Lahore division - Rs 2.964 million
27.	8863	Non-recovery of outstanding rent from coal plot holders – Rs 1.318 million
28.	8865	Loss of Rs. 1.779 million per annum to the Railways due to unauthorized occupation of land by the licensee after expiry of lease period
29.	8866	Loss due to non-auction of Railway Land after expiry of Contract Agreement - Rs 3.182 million

30.	8873	Non-recovery of L.D Charges – Rs 0.296 million
31.	8877	Fraudulent pension payment - Rs 178,710
32.	8879	Irregular/ unjustified expenditure of - Rs 2.367 million due to wrong preparation of estimates
33.	8881	Non-observance of annual procurement plan resulting in irregular expenditure on purchases - Rs 2.068 million
34.	8884	Irregular drawl of advance cheque causes loss of interest income – Rs 12.228 million
35.	8890	Unjustified/Unnecessary expenditure of - Rs 0.994 million
36.	8891	Irregular purchase of electric material costing - Rs 1.08 million
37.	8892	Loss due to payment of revised demand notices to LESCO - Rs 1.391 million
38.	8893	Non recovery of outstanding rental charges from Town Municipal Administration - Rs 1.758 million
39.	8894	Loss of potential annual earnings due to short composition of train – Rs 2.18 million
40.	8897	Irregular expenditure on construction of shops and other miscellaneous charges - Rs 15.794 million
41.	8901	Loss due to unjustified payment of insurance premium - Rs 66.333 million
42.	8902	Un-necessary purchase and unjustified issuance of seat covers & curtains for D.E. Locos - Rs 577,470
43.	8907	Loss of potential earnings due to poor management – Rs 493.50 million
44.	8908	Loss due to short recovery and line losses of electricity charges – Rs 5.937 million
45.	8914	Unjustified collection of advance tax by FBR from Pakistan Railways due to vague tax clauses in agreements for outsourcing of trains - Rs 289.388 million
46.	8918	Loss due to non-auction of 117 shops and unjustified regularization to sitting persons – Rs 14.684 million
47.	8922	Loss due to acceptance of bids below the bench mark – Rs 7.521 million
48.	8924	Loss of earnings due to late credit and demand draft charges – Rs 513,355
49.	8933	Loss on account of penalty due to delay in advance payment – Rs 19.395 million
50.	8934	Loss due to non-auction of a stall at Railway station Multan Cantt. Rs 1.437 million
51.	8935	Non realization of short composition/Pass, PTOs charges in connection with Khushhal Khan Khattack Express-Rs. 18.253 million
52.	8937	Loss due to irregular payment and non-recovery of weighment charges- Rs 7.952 million
53.	8943	Irregular termination of agreement for outsourcing of Khushhal Khan Khattak Express – Rs 844.915 million
54.	8944	Non-recovery/adjustment of advances – Rs 1.540 million
55.	8954	Irregular/Unjustified bid on account of non-fixation of benchmark – Rs 0.710 million
56.	8955	Irregular expenditure due to mentioning of brand name in tender - Rs 0.796 million
57.	8956	Temporary misappropriation of government money - Rs 1.70 million
58.	8961	Loss due to low rental rates of kiosks installed by Unilever - Rs 4.052 million
59.	8963	Irregular/unauthorized payment on account of pay & allowances from Kashmir Railway Funds – Rs 8.835 million
60.	8964	Irregular payment on account of house building and motor car advance – Rs 9.134 million

61.	8969	Loss due to irrational/uneconomical bid – Rs 115.914 million
62.	8973	Loss due to purchase of common user items at higher rates – Rs 0.524 million
63.	8974	Non recovery of storage charges of vehicles at Peshawar dry port – Rs 601.490 million
64.	8979	Loss due to unproductive cargo transportation agreement with M/S Packages Limited - Rs 1021.89 million
65.	8985	Loss due to non-claiming of financial commitments from PR by PRFTC - Rs. 130 million
66.	8986	Non recovery of liquidated damages charges from the contractor - Rs 30.915 million
67.	8987	Over payment to the contractor for short supply of sleepers – Rs 12.451 million
68.	8989	Unauthorized retention of working balance – Rs 50 million
69.	8990	Receivable on account of azadi train/christmas train – Rs 12.875 million
70.	8991	Loss due to auction of car parking at Quetta below the bench mark - Rs 1.126million
71.	8992	Loss due to leasing of shops at lower rates - Rs. 7.340 million
72.	8993	Loss to government exchequer due to non-deposit of withholding tax and general sales tax to tax authorities - Rs. 6.168 million
73.	8997	Irregular payment on account of mileage allowance – Rs 1.588 million
74.	8998	Mis appropriation of Govt. money by the Station master, Kamoke – Rs 0.209 million
75.	8999	Loss on account of less profit on investments- Rs. 1.13 million
76.	9000	Loss due to unnecessary delay in completion of bidding process of restaurant – Rs 1.156 million
77.	9002	Irregular/ Unjustified payment of deputation allowance – Rs 1.641 million
78.	9005	Irregular sanction of litigation expenditure - Rs 4.233 million
79.	9007	Mis-statement on account of Trade debtors – Rs 20.150 million
80.	9015	Loss due to irregular award of land on basis of MOU without bidding – Rs 259.725 million
81.	9017	Irregular award of contracts without formal agreements – Rs 26.160 million
82.	9018	Non-payment of withheld income tax to FBR authorities – Rs 2.774 million
83.	9022	Irregular payment to ballast suppliers without physical verification by accounts department – Rs 57.405 million
84.	9023	Loss due to non-recovery of Railway dues from different entities – Rs 256.871 million
85.	9025	Irregular expenditure on unauthorized re-employment of loco drivers – Rs 4.558 million
86.	9026	Loss due to extra payment of 55% allowance – Rs 1.439 million
87.	9029	Non-imposition of liquidated damage charges to the contractor for incomplete supply of ballast – Rs 2.425 million
88.	9032	Irregular procurement of laptops – Rs 0.401 million
89.	9034	Irregular/unjustified expenditure on reimbursement of medical charges – Rs 1.240 million
90.	9042	Non-execution of works by the contractors resulted into blockage of funds – Rs 4.070 million
91.	9046	Loss due to frequent load shedding – Rs 184.301 million

92.	9047	Loss due to non-provision of land measuring 18 acres in exchange of Railway land irregularly handed over to Shalimar Hospital Trust and non-recovery of rent – Rs 500 million
93.	9050	Mis procurement of fork lifter truck and loss due to higher rates – Rs 1.064 million
94.	9052	Irregular procurement of excavator due non-obtaining of performance bond – Rs 2.437 million
95.	9053	Loss due to acceptance of substandard material – Rs 12.688 million
96.	9054	Loss due to shortage of permanent way material – Rs 3.287 million
97.	9059	Non-maintenance of record of trees grown on Railway land worth million of rupees
98.	9063	Loss due to unjustified carrying out POH of Marriage Car – Rs 1.381 million
99.	9066	Irregular payment to contractor without verification of ballast trains by the Accounts office – Rs 4.441 million
100.	9070	Potential loss due to expiry of bank guarantees – Rs 10.771 million
101.	9071	Loss due to mixing of water in Quenching / Hungton Oil – Rs 1.150million
102.	9082	Irregular expenditure due to acceptance of dumper truck with wrong specification – Rs 4.100 million
103.	9085	Unjustified procurement without the purchase requisitions – Rs 38.230 million
104.	9088	Procurement of un reliable ballast without carrying out mandatory prescribed tests – Rs 14.669 million
105.	9092	Wasteful expenditure on account of pay and allowance due to non-availability of painting/wooden material – Rs 23.360 million
106.	9094	Loss due to submission of claims without original documents – Rs 47.895 million
107.	9097	Loss of potential earnings due to unjustified delay in completion of bidding process of marriage lawn - Rs 0.886 million
108.	9098	Loss due to shortage of material- Rs 1.045 million
109.	9100	Irregular expenditure due to acceptance of unwanted material – Rs 1.89 million
110.	9101	Non-dissolution of Kashmir Railways and blockage of PSDP funds - Rs 2025.00 million
111.	9102	Loss due to negligence of drivers and maintenance staff – Rs 2.160 million
112.	9107	Loss of potential earnings due to detention of passenger coaches - Rs 8.359 million
113.	9115	Loss of potential earnings amounting to Rs. 731.648 million due to unjustified/irregular detention of goods wagons
114.	9121	Non disposal of scrap material lying at stores - Rs 39.593 million
115.	9124	Loss due to modification of hopper wagons in connection with installation of anti-theft measures at Railway workshops - Rs 15.040 million
116.	9127	Understatement of project cost due to non-booking of transportation charges- Rs 7.262 million
117.	9128	Irregular and unjustified procurement of project vehicles - Rs 6.00 million
118.	9130	Irregular payment to M/s RAILCOP for supply of ballast after expiry of contract period – Rs 5.868 million
119.	9137	Non recovery of rental charges from lessee of bill boards -Rs 0.591 million
120.	9140	Loss of Rs 3.76 million on account of 50% premium money and monthly rent due to non-construction of shops
121.	9141	Suspected mis-appropriation of permanent way material – Rs 4.910 million
122.	9147	Irregularities in local purchases - Rs 0.832million
123.	9148	Irregular utilization of revenue funds – Rs 0.986 million

124.	9149	Loss due to inclusion of inconsistent clauses of contract Rs 1.8 million
125.	9151	Unjustified payment of licensing fee for registration of luggage scanning machines Rs 1.68 million
126.	9156	Irregular/unjustified booking of labour charges of Loco-workshop, Moghalpura – Rs 17.351 million
127.	9166	Unauthorized construction of new rooms in Peshawar rest house – Rs 2.00 million
128.	9174	Irregular payment to black listed firm Hesco Pak - Rs 8.283 million
129.	9180	Loss of potential earnings due to non-construction of shops adjacent to Railway stadium Lahore – Rs 27.716 million per annum
130.	9183	Loss due to shortage of material valuing Rs 60.606 million
131.	9185	Irregular payments for supply of ballast without inspection by Accounts Department- Rs 79.680 million
132.	9187	Unjustified grant of up-gradation to the labour resulting into irregular payment of pay and allowances Rs.110.476 million
133.	9192	Loss due to delay in finalization of performance report of Armature Rs 0.896 million
134.	9194	Unauthorized opening of financial bid at belated stage resulting Mis-procurement - Rs. 1.560 million
135.	9195	Unauthorized procurement of material from unapproved firm - Rs. 1.623 million
136.	9199	Wrong supply of tools & plant - Rs 17.485 million
137.	9201	Irregular procurement due to non-observance of PPRA rules – Rs26.588 million
138.	9205	Irregular award of car parking stand contract - Rs. 1.100 million
139.	9206	Loss to due to shortage/Theft of permanent way material-Rs.1.176 million
140.	9207	Short supply of three years spares under the Project of 780 HCHW & 20 B/Vans - Rs.1.447 million
141.	9210	Infructuous expenditure amounting to Rs 2.967 million due to non-completion of work of special repair
142.	9211	Irregular/Unjustified procurement of parts worth Rs. 3.354 million
143.	9212	Wasteful expenditure due to inefficient pre-shipment inspections – Rs 3.780 million
144.	9213	Loss due to non-commercialization of the luggage vans/brake vans - Rs 4.651 million
145.	9214	Loss due to misappropriation of fittings of rolling stock Rs 5.248 million
146.	9218	Loss of Rs.14.583 million owing burning of two coaches
147.	9221	Irregular payment to the contractors on account of supply of ballast without verification of accounts Rs 32.443 million
148.	9222	Unjustified payment of Rs. 215.542 million on account of mobilization advance
149.	9224	Unauthorized issuance of purchase order Non forfeiture of bid security resulting in loss to PR - Rs. 906.845 million
150.	9225	Unauthorized payment of running allowance Rs. 1.732 million
151.	9226	Irregular payment of bonus and honorarium – Rs 3.329 million
152.	9227	Loss on account of higher freight charges of sleepers – Rs 12.036 million
153.	9230	Loss due to irregular procurement of luxury vehicles beyond entitlement – Rs 96.880 million
154.	9231	Loss of potential earnings due to detention of goods wagons – Rs 106.264 million
155.	9233	Irregular award of contract against the PPRA Rules – Rs 15679.128 million
156.	9235	Irregular expenditure due to non-completion of work within stipulated time

		Rs 2.566 million
157.	9236	Wasteful expenditure on account of rent of office building –Rs 11.413 million
158.	9237	Irregular award of a contract due to undue favour to the contractor and excess purchase of material Rs 12.22 million
159.	9239	Irregular expenditure on up-gradation of Level crossingsRs 3.804 million
160.	9240	Outstanding amount on account of outsourcing trains Rs 1,754.07 million
161.	9241	Irregular enhancement in value of work Rs 1.149 million
162.	9242	Non imposition of penalty on account of delay in completion of work by contractor - Rs 2.371 million
163.	9244	Non-imposition of penalty for delay in completion of work - Rs 8.521 million
164.	9246	Loss due to deficiency in coaching & goods stock worth Rs 1.117 million
165.	9247	Loss due to un-authorizedly converting of railway quarters into commercial shops Rs 3.9000 million
166.	9248	Loss due to washing away of bridge material in stream water - Rs 21.375 million
167.	9250	Irregular award of contract and loss due to non supply of material – Rs 162.858 million
168.	9256	Loss due to non revision of estimate & non construction of shops at Mughalpura Rs 2.050 million
169.	9258	Loss due to un-authorized construction of revenue academy by Govt of KPK- Rs 7,963.900 million
170.	9259	Loss due to payment of low power factor penalty of Rs 0.783 million
171.	9260	Non receipt of credit/ cost of materials from other divisions Rs 22.605 million
172.	9261	Irregular payment due to grant of extension without approval of competent authority - Rs 0.909 million
173.	9263	Non-recovery of Electricity Charges against Signal Rehabilitation Project Nawabshah - Rs 0.593 million
174.	9264	Loss to Govt exchequer due to non-deduction of General Sales Tax (GST)- Rs 37.248 million
175.	9267	Loss of potential earning due to delay in overhauling of DE Locomotives – Rs 98.917 million
176.	9268	Unauthorized payment of Motor Car advance- Rs 2.00 million
177.	9270	Loss due unreasonable delay in finalization of trial and uneconomical procurement of Motor Speed Panel cards - Rs 3.103 million
178.	9271	Loss due to encroachment and non- recovery of historical rent of land- Rs 19.223 million
179.	9274	Loss due to payment of low power factor penalty - Rs 1.489 million
180.	9277	Loss due to acceptance of electric works at higher rates-Rs 2.724 million
181.	9278	Non- recovery on account of electric bills -Rs 8.592 million
182.	9280	Loss to Govt exchequer due less deduction of withholding income tax -Rs 0.529 million
183.	9282	Irregular payment of monetization allowance – Rs 1.768 million
184.	9283	Loss due to theft of material - Rs 1.096 million
185.	9284	Non-execution of works valuing Rs 11.048 million and non-forfeiture of securities Rs 0.221 million
186.	9285	Non-realization of rental charges of extra land utilized by the lease holder- Rs 5.082 million

187.	9286	Loss due to shortage of power plant material – Rs 1.556 million
188.	9287	Non-recovery of electricity charges from outsiders – Rs 0.619 million
189.	9291	Loss due to substandard work by contractor of Rs. 1.998 million
190.	9292	Wasteful expenditure due to unjustified posting of staff in Electric Traction (E.T) Department Khanewal - Rs 21.00 Million
191.	9293	Loss due to encroachment of land – Rs 97.323 million
192.	9294	Loss due to payment of late payment surcharge on electricity bills- Rs 0.991 million
193.	9295	Loss due to award of contract at higher rates - Rs 10.101 million
194.	9298	Mis-utilization of government money Rs.2.201 Million
195.	9300	Irregular expenditures on account of millage allowance - Rs 2.116 million
196.	9301	Avoidable/unjustified procurement of vehicle and irregular expenditure on repair/maintenance of 04 vehicles -Rs. 2.441
197.	9303	Loss due to payment of Extra Tax in electricity bills of PLF Risalpur Rs.7.294 million
198.	9311	Incorrect posting of re-appropriation/Additional funds in financial review Rs 60.00 million
199.	9315	Loss due to non-deduction of shrinkage @ 25% of pitching of stone Rs.2.419 million
200.	9316	Non-payment of TV fee to Pakistan Television - Rs 1.034 million
201.	9318	Suspected misappropriation due to Inconsistent Pattern of fuel consumption in Power Plants of - Rs. 1.702 million
202.	9322	Blockage of released material- Rs 2.055 million
203.	9323	Loss on account of low power factor penalty – Rs 35.274 million
204.	9328	Non recovery on account of electric energy bills - Rs 0.698 million
205.	9329	Un-authorized award of contracts due to alterations in bids - Rs 0.988 million
206.	9330	Recurring loss to public exchequer due to less collection of withholding income tax on commercial electricity consumption - Rs 1.241 million
207.	9335	Discrepancies in the record of encroached Railway Land - Rs 3797.609 million
208.	9337	Loss due to short provision of oil for transportation to PR than committed by PSO - Rs 4,188.673 million
209.	9338	Loss due to poor planning for running of cargo trains - Rs 2,003.225 million
210.	9339	Non recovery of advance lease charges from LDA - Rs 136.295 million
211.	9341	Loss due to defective work carried out by contractors in Loco Shop MGPR Lahore - Rs 2.935 million
212.	9344	Blockage of capital due to non-disposal of scrap/released material- Rs 1.130 million
213.	9345	Unauthorized issuance of excess HSD over and above sanctioned Quota- Rs 0.965 million
214.	9347	Loss due irregular/unjustified issuance of passes and privilege ticket orders-Rs 0.254 million
215.	9348	Blockage of capital due to retention of narrow gauge plant & machinery- Rs 1.353 million
216.	9349	Un-justified issue of H.S.D oil to the power plants of 39-Dn & 4-Dn without sanctioned quota- Rs 6.491 million
217.	9351	Loss due to non-deposit of 35 % cost of scrap and non-lifting of balance quantity of scrap by M/s PHA -Rs 1.123 million
218.	9352	Loss due to excess electricity billing - Rs 1.177 million

219.	9353	Irregular/Unjustified expenditure on account of Pay & Allowances – Rs 1.449 million
220.	9356	Avoidable expenditure on procurement of vehicles – Rs 5.368 million
221.	9363	Irregular award of contract to the firm with poor past record - Rs 2.559 million
222.	9364	Irregular payment on account of residential hiring without fresh agreement – Rs 2.636 million
223.	9365	Blockage of capital due to non-disposal/utilization of dead surplus HSD/LF oil – Rs 8.225 million
224.	9366	Loss due to substandard overhauling and repairs of traction motors – Rs 18.242 million
225.	9367	Loss due to substandard repair of locomotives – Rs 33.569 million
226.	9369	Non-collection of security deposit from contactors – Rs 0.499 million
227.	9371	Loss due to theft of P-way material at different places over Lahore division Rs 1.982 million
228.	9372	Irregular expenditure without budget allocation – Rs 6.726 million
229.	9377	Encroachment of 151.655 acres Railway Land valuing - Rs 9838.95 million

Annexure - 3

Loss due to theft/deficiencies in Coaching and Goods Stock

(Rs in million)

Sr. #	DP No.	Formation Audited	Period of Irregularity	Value of fittings	Remarks
1.	9111	Mechanical Department Workshops Mughalpura, Lahore	July 2017 to June 2018	24.78	The matter was taken up with the management in September 2018 but no reply was received.
2.	9374	Mechanical Department, Lahore	July 2017 to June 2018	15.89	The matter was taken up with the management in August 2018 but no reply was received.
3.	9110	Mechanical Department, Sukkur	October 2017 to July 2018	15.34	The matter was taken up with the management in August 2018 but no reply was received.
4.	9142	Mechanical Department, Karachi	July 2017 to June 2018	8.31	The matter was taken up with the management in September 2018. The management replied that measures to reduce deficiencies was required to be taken by concerned station master in consultation with Pakistan Railway police. The remarks were not acceptable as the policy for minimizing the deficiency could not be implemented in true spirit.
5.	8698	Mechanical Department, Karachi	July 2016 to June 2017	8.31	The matter was taken up with the management in August 2017 and also discussed in DAC meeting held on 8th May, 2018. DAC directed the PO that detailed reply showing the segregation between deficiencies, cannibalization, theft and wear and tear of material be provided to Audit for examination. Compliance of DAC directives was awaited.
6.	8708	Mechanical	July 2016 to	2.84	The matter was taken up with

		Department, Sukkur	October 2017		the management in November 2017 and also discussed in DAC meeting held on 21st May, 2018. DAC directed the PO that reply showing the segregation between deficiencies, cannibalization, theft and wear & tear of material along with result of investigation by PRP be provided to Audit for examination. Compliance of DAC directives was awaited.
7.	8826	Mechanical Department, Multan	July 2016 to June 2017	2.81	The matter was taken up with the management in August 2017 and also discussed in DAC meeting held on 21st May, 2018. DAC directed the PO to provide documentary evidence in support of material cannibalised to Audit for examination. Instructions for observance of SOP be circulated a fresh. Compliance of DAC directives was awaited.
8.	8687	Mechanical Department, Karachi	January 2016 to July 2017	2.58	The matter was taken up with the management in August 2017 but no reply was received.
9.	8771	Mechanical Department, Peshawar	July 2016 to June 2017	1.95	The matter was taken up with the management in September 2017 and also discussed in DAC meeting held on 21st May, 2018. DAC directed the PO that documentary evidence in support of material cannibalised be provided to Audit for examination. Compliance of DAC directives was awaited.
Total				**82.81**	

Annexure - 4

Irregular expenditure due to spliting up of purchases/works

(Rs in million)

Sr. #	DP No.	Formation	Purchases/works Splitted	Amount	Remarks
1.	9058	Civil Engineering Department, Karachi	Improvement of diesel shed, group A,B&C	83.95	The matter was taken up with the management in August 2018. Management replied that works were awarded at different places and no loss occurred to Pakistan Railways. The remarks were not acceptable as the works were split in order to avoid approval of higher authority.
2.	9122	Civil Engineering Department, Multan	Special Repair of Class-III & IV staff quarters etc.	36.07	The matter was taken up with the management in August 2018. Management replied that the works in different locations and different period were involved which could not be merged/grouped together. Local purchases were made on urgent basis which could not be considered as splitting. The remarks were not acceptable as the works/purchases were split in order to avoid approval of higher authority.
3.	9154	Divisional Accounts Office, Quetta	Special repair to Block No. 196-A to F & 198- A to F in Loco colony. Construction of Shops	15.85	The matter was taken up with the management in June 2018 but no reply was received.
4.	9217	AO/Projects, H.Q, Lahore	Up gradation of Class-III unmanned L-xing and protection covers for sensor of AXLE counter etc	12.81	The matter was taken up with the management in October 2018 but no reply was received.

5.	9178	Civil Engineering Department, Peshawar	Special repair of Class-III & IV staff quarters	11.66	The matter was taken up with the management in August 2018. Management replied that quarters were situated on different locations. The remarks were not acceptable as the works were split in order to avoid approval of higher authority.
6.	9177	Civil Engineering Department, Sukkur	Special repair to roof, boundary wall, verandah and Block No. E-83 staff quarter of Class-IV etc	11.26	The matter was taken up with the management in August 2018 but no reply was received.
7.	9269	Electrical Department, Quetta	Local purchase of material	5.64	The matter was taken up with the management in November 2018. Management replied that as per urgent requirement of the electrical items and also due to lack of funds, the procurements were made. However, in future the directives would be followed. The remarks were not acceptable as the works were split in order to avoid approval of higher authority.
8.	9171	Civil Engineering Department, Quetta	Painting material	5.31	The matter was taken up with the management in July 2018. Management replied that material was purchased for different sections. The remarks were not acceptable as the purchases were split in order to avoid approval of higher authority.
9.	9055	Divisional Accounts Office, Quetta	Painting, Loco and C&W material	5.05	The matter was taken up with the management in June 2018 but no reply was received.
10.	9304	Managing Director, Pakistan	LED bulb, screw joint, rivit no. 6100, welding material,	3.19	The matter was taken up with the management in November 2018.

		Locomotive Factory, Risalpur	cement, paint, distemper and carpet		Management replied that material was purchased in emergencies. However, splitting would be avoided in future. The remarks were an admittance of audit observation.
11.	9262	Divisional Accounts Office, Quetta	Special repair of bungalows	1.77	The matter was taken up with the management in October 2018 but no reply was received.
Total				**192.56**	

Annexure - 5

Non-disposal of scrap

(Rs in million)

Sr.#	DP No.	Formation	Description	Amount	Remarks
1.	9361	General Store Depot, Mughalpura, Lahore	Different types of Scrap material	838.35	The Matter was taken up with the management in November 2018. Management replied that efforts were being made for conduction survey. Progress of the case was not furnished to Audit.
2.	9307	General Store Depot, Karachi (Diesel Depot)	Different type of steel scrap	276.07	The matter was taken up with the management in November 2018. Management replied that disposal of scrap through open tendering was under process. The remarks were not acceptable as the scrap was laying since 2010, indicating poor efforts of management.
3.	9145	Mechanical Engineering Department Karachi	Goods Wagons	273.68	The matter was taken up with the management in September 2018 but no reply was received.
4.	9305	Mechanical Department, Lahore	Coaches & Wagons	174.00	The matter was taken up with the management in August 2018. Management replied that the auction of condemned coaches and wagons was the responsibility of Store Department. The remarks were not acceptable because timely disposal of scrap was the joint responsibility of both Divisional Management and Stores Department.
5.	9265	Civil Engineering Department, Lahore	Different type of P. way material	141.80	The matter was taken up with the management in September 2018. Management replied that due to no availability of empty wagon scrape material has not been disposed off. However, efforts are being made for early disposal of scrape material. Progress of the case was not furnished to Audit.
6.	9114	Mechanical Department, Lahore	Locomotives	131.47	The matter was taken up with the management in September 2018 but no reply was received.
7.	9123	Mechanical Department,	Goods Wagons	34.93	The matter was taken up with the management in September 2018.

		Peshawar			Management replied that auction case was under process in Commercial Branch. Progress of the cases was not furnished to Audit.
8.	9024	Civil Engineering Department, Multan	Different types of building, steel, timber & P. Way material	34.15	The matter was taken up with the management in August 2018. Management replied that efforts had been made for disposal of scrap. Progress of the case was not furnished to Audit.
9.	9067	Civil Engineering Department, Lahore	Different types of P. Way material	28.19	The matter was taken up with the management in September 2018. Management replied that matter had been referred to CCS, Lahore for auction of scrap. Progress of the case was not furnished to Audit.
10.	9357	Mechanical department loco workshop, MGPR, Lahore	Coaches & Wagons	19.76	The matter was taken up with the management in September 2018. Management replied that CSS had apprised to dispose of the condemned rolling stock. The remarks were not acceptable as no documentary evidence regarding action taken for the disposal of rolling stock, was provided.
11.	9089	Civil Engineering Department, Peshawar	Different types of P. Way material	16.81	The matter was taken up with the management in August 2018. Management replied that efforts had been made for disposal of scrap. Progress of the case was not furnished to Audit.
12.	8932	Divisional Transportation and Divisional Commercial Officers, Sukkur	Different types of P. Way material and Misc. Scrap items	13.05	The matter was taken up with the management in April 2018 but no reply was received.
13.	9125	Civil Engineering Department Workshops Mughalpura, Lahore	Different types of P. Way material	8.67	The matter was taken up with the management in August 2018. Management replied that the scrap material had been returned to General Store. The remarks were not acceptable as scrap/material was not auctioned.
14.	9327	CDL Workshops,	Different type of	7.10	The matter was taken up with the management in November 2018.

		Rawalpindi	machinery		Management replied that a condemnation committee had been constituted in June 2018. Progress of case was not furnished to Audit.
15.	9038	Mechanical Department Rawalpindi	Plant & Machinery	2.45	The matter was taken up with the management in August 2018. Management replied that efforts would be made for disposal of defective plant & machinery. Progress of the case was not furnished to Audit.
16.	9080	Mechanical Department, Peshawar	Different types of P. Way material	1.92	The matter was taken up with the management in September 2018 but no reply was received.
17.	9078	DME Sukkur	Different types of spare parts	1.45	The matter was taken up with the management in August 2018 but no reply was received.
18.	9064	Civil Engineering Department, Rawalpindi	Different types of Rails	1.45	The matter was taken up with the management in August 2018. Management replied that after return of scrap material to the Store Depots, the position would be provided to the Audit. Progress of the case was not furnished to Audit.
19.	9193	Mechanical Engineering Department Karachi	Plant & Machinery	1.19	The matter was taken up with the management in September 2018. Management replied that all plant & machinery had already been returned to DCOS/G/KC. The remarks were not acceptable as the machinery was available with Works Manager Diesel, Karachi and not returned to DCOS/G/KC.
Total				**2,006.49**	

Annexure - 6

Unauthorised consumption of HSD oil

(Rs in million)

Sr. #	DP No.	Formation	Excess Consumption (in liters)	Amount	Remarks
1	9245	Mechanical Department, Karachi	1867760	153.24	The matter was taken up with the management in September 2018. Management replied that locomotives of LOMs category were utilised for shunting work round the clock. Further heavy locomotives utilised on ballast movement, water supply etc. also fall in LOMs. The remarks were not acceptable as the HSD oil was utilised in excess of fixed quota.
2	8900	Divisional Electrical Engineer/RTL, Lahore	338280	28.42	The matter was taken up with the management in June 2017 and also discussed in DAC meeting held on 11th and 12th October, 2018. Railway management informed the DAC that there were numerous ground realities which had not been considered for gathering the actual data by Audit. The use of HSD Oil also varies on the basis of electrical load of coaches; if extra coaches are attached it would definitely increase the consumption. DAC directed the PO that documentary evidence in support of reply dated 02.08.2018 be provided to Audit for examination. Compliance of DAC directives was awaited.
3	8899	Mechanical Department, Sukkur	313920	25.55	The matter was taken up with the management in November 2017.Management replied that the fuel was consumed while carrying out load test and heavy repair of DE Locos etc. Instructions were being issued to lighting up of crane in the presence of LIOs, LFO, and FOR Rohri for fixation of HSD Oil consumption.
4	9087	Mechanical Department, Sukkur	104112	9.33	The matter was taken up with the management in August 2018 but no reply was received.

5	8695	Mechanical Department, Multan	52408	4.27	The matter was taken up with the management in August 2017. Management replied that the locomotives were not switched off due to weak batteries. The remarks were not acceptable as the provision of batteries were also the responsibility of Railway management.
6	8589	Mechanical Department, Peshawar	14100	1.11	The matter was taken up with the management in September 2017. Management replied that HSD oil was issued with the approval of competent authority. The remarks were not acceptable as the HSD oil was utilised in excess of fixed quota
Total				**221.92**	

Annexure - 7

Unnecessary procurement resulting in blockage of capital

(Rs in million)

Sr.#	DP No.	Formation	Description	Amount	Remarks
1.	9359	General Store Depot, Mughalpura, Lahore	Stock above maximum limit	83.75	The matter was taken up with the management in November 2018. Management replied that detailed remarks would be submitted shortly but no reply was received.
2.	8716	Mechanical Department, Sukkur	Dead Surplus	28.51	The matter was taken up with the management in November 2017. Management replied that efforts were in progress to utilise these items on other locomotives. Progress regarding utilisation / disposal of material was not furnished to Audit.
3.	8648	Civil Engineering department, Quetta	Unnecessary procurement	21.53	The matter was taken up with the management in July 2017 and also discussed in DAC meeting held on 21st May, 2018. DAC was informed that the training out of ballast remained slow due to non-availability of rolling stock. However, 250,915 cft ballast has been trained out and all out efforts were being made to train out the remaining quantity i.e. 749,085 cft. DAC directed the PO that remaining quantity i.e. 749,085 cft of ballast be trained out within 100 days under intimation to Audit. DAC further directed that in future the COPS/AGM (Traffic) be consulted regarding availability of rolling stock before purchase of ballast. Compliance of DAC directives was awaited.
4.	8715	Mechanical Department, Sukkur	Unnecessary procurement	19.49	The matter was taken up with the management in November 2017 and discussed in DAC meeting held on 8th May, 2018. DAC considered the reply satisfactory

					from CME/C&W and settled the part of para subject to verification. DAC directed the CME/Loco to provide detailed reply of portion pertaining to him within three days, to Audit for examination. Compliance of DAC directives was awaited.
5.	9373	General Stores Depot, Karachi	Dead Surplus	14.14	The matter was taken up with the management in November 2018. Management replied that these HPU-20 Locomotive parts were declared obsolete and matter of surplus materials was taken up several times but consumers were not issuing as the said items being no longer in use. The remarks were not acceptable as management failed to dispose off surplus materials lying in stores since 1986.
6.	9109	Chief Controller of Purchase Headquarters Lahore	Unnecessary procurement	11.59	The matter was taken up with the management in September 2018 also discussed in DAC meeting held on 4th January, 2019. DAC directed the PO that an inquiry committee may be constituted comprising DG/Technical, MD/CFI and FA&CAO/M&S to inquire the issues in maintenance contract on priority basis. Compliance of DAC directives was awaited.
7.	9126	Mechanical Department, Lahore	Unnecessary procurement	7.89	The matter was taken up with the management in September 2018. Management replied that the left over material was being utilised in C&W Shops for maintenance of freight wagons. The remarks were not acceptable as Mig wire and paint were purchased for the project and product material could not be utilised in another project/work.
8.	9079	Mechanical Department, Peshawar	Stock above maximum limit	1.90	The matter was taken up with the management in September 2018. Management replied that

		division			material was purchased through local purchase or limited tender in bulk for six month/yearly consumption for C&W depots in Peshawar division and hence not purchased in excess. The remarks were not acceptable as material was purchased in excess of maximum limits.
9.	9099	Mechanical Department Peshawar	Dead Surplus	1.36	The matter was taken up with the management in September 2018 but no reply was received.
10.	9095	Mechanical department, Peshawar	Stock above maximum limit	0.81	The matter was taken up with the management in September 2018. Management replied that that the material was purchased and retained for the repair of Locos. Sufficient material had been kept in stores to meet the emergencies. The remarks were not acceptable as that maximum limit of store items was carefully/rationally defined and excess storage of material resulted in blockage of capital, extra storage cost and deterioration of material.
Total				**190.97**	

Annexure - 8

Detail of Recoverables

(Rs in million)

Sr. #	DP. No.	Formation	Period of Audit	Amount	Remarks
1.	9062	Chief Operating Superintendent, Lahore	February, 2018	1,317.24	The matter was taken up with the management in February, 2018. Management replied that committed quantity of Coal was reduced as per decision of Board of Directors, therefore there was no shortfall. The remarks were not acceptable as the decision of PRFTC BoD did not binding on PR and could not change the terms & conditions of contract.
2.	9252	Directorate P& L, Lahore	February, 2018	941.70	The matter was taken up with the management in February 2018. Management replied that the matter has already been taken up with Chief Secretaries Government of Sindh and KPK. Progress of the case was not furnished to Audit.
3.	9014	Director, P&L, HQ, Lahore	February, 2018	710.21	The matter was taken up with the management in February 2018 but no reply was received.
4.	9334	Electric Department, Multan	November, 2018	648.30	The matter was taken up with the management in November 2018. Management replied that WAPDA authorities did not agree for payment of these crossings. The remarks were not acceptable as outstanding amount should have been recovered as per policy in vogue.
5.	8910	P&L, Lahore	February, 2018	618.74	The matter was taken up with the management in February 2018 and also discussed in DAC meeting dated 11th and 12th October, 2018. DAC was informed that 5.37 acres land near Railway Station Toba Tek Singh was handed over to Teshil Municipal Authority, Toba Tek Singh for establishment of Park for a period of 10 years commenced from 15/10/2004 and extendable for another term on mutually agreed terms. After the expiry of license

					period on 14/10/2014, TMA applied for extension, but they did not agree to deposit land lease charges as per new policy, resultantly, Railway took over the possession from them on18-03-2018, now site is under possession of Railways. DAC directed the P.O that matter be taken up with TMA/TTS to use the land as green belt and amount of lease charges for the period from 15.10.2014 to 18.03.2018 be recovered from TMA/TTS as per previous agreement under intimation to Audit. Compliance of DAC directives was awaited.
6.	9012	Managing Director, REDAMCO	April, 2018	431.05	The matter was taken up with the management in April 2018 and also discussed in DAC meeting held on 4th January, 2019. Audit informed the DAC that an amount of Rs 5.54 million has been verified. Management informed the DAC that for remaining amount cases were under litigation with the parties. DAC pended the para till decision of court cases. Outcome of the cases were not furnished to Audit.
7.	9061	Managing Director, REDAMCO	April, 2018	269.15	The matter was taken up with the management in April 2018. Management replied that most of the receivables were stuck due to litigation. Progress of the court cases were not furnished to Audit.
8.	9074	Chief Controller of Purchase, Headquarters office, Lahore	August, 2018	260.89	The matter was taken up with the management in September 2018 but no reply was received.
9.	9072	DEN/ Workshops, Mughalpura	September, 2018	212.19	The matter was taken up with the management in September 2018. Management replied that departments were apprised to clear their outstanding dues. Progress of the case was not furnished to Audit.
10.	9276	Electric Department,	November,	166.35	The matter was taken up with the management in November 2018.

		Karachi	2018		Management replied that all out efforts were being made to realize the outstanding crossing charges from concern companies. The remarks were not acceptable as management failed to safeguard the interest of Pakistan Railways and recovered the amount. .
11.	9249	Civil Engineering Department, Multan	August, 2018	137.38	The matter was taken up with the management in August, 2018. Management replied that the matter has been referred to Small Mines Assistant Titles, Punjab. Progress of the case was not furnished to Audit.
12.	8970	Chief Commercial Manager, Lahore	February, 2018	120.04	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that meetings with contractors had been arranged time and again for payment of Railway dues, but contractor had not agreed with the view point of PR on the outstanding issues. Presently the cases are with DGLA for nomination of arbitrators to settle the issue. DAC directed the P.O to constitute a committee of senior scale officer to resolve this issue within one month under intimation to Audit and Ministry of Railways. Compliance of DAC directives was awaited.
13.	9162	Directorate P&L, Lahore	February, 2018	107.73	The matter was taken up with the management in February 2018 but no reply was received.
14.	9281	Deputy Director, P&L, Workshop, Mughalpura	February, 2018	91.34	The matter was taken up with the management in February 2018. Management replied that the matter is subjudice in the court of law. Progress of the case was not furnished to Audit.
15.	9160	Divisional Transportation and Divisional Commercial Officers, Multan	April, 2018	89.80	The matter was taken up with the management in April 2018 but no reply was received.

16.	9013	Deputy Director, P&L, Workshop, Mughalpura	February, 2018	84.95	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that as per mutual understanding between Pakistan Railways & WASA, the land lease charges will not demand aquifer charges from Pakistan Railways for the tube wells installed in Workshop division for supplying of water to service buildings, Workshops and colonies. Moreover, all out efforts have been made for formal agreement in this regard, as soon as the agreement is made, same will be shared. Compliance of DAC directives was awaited.
17.	9273	Mechanical Department, Lahore	July, 2018	68.06	The matter was taken up with the management in July 2018. Management replied that firm had agree to pay the repair charges after expiry of warranty period. The remarks were not acceptable as amount of repair charges should have been recovered timely.
18.	8845	Deputy Electrical Engineer / Power, Lahore	April, 2017	56.57	The matter was taken up with the management in April 2017 and also discussed in DAC meeting held on 8th May, 2018. DAC directed the PO that efforts be made to install separate meters for residential and service buildings. Cost of electricity may be segregated against service and residential buildings so as to watch recovery. Details of recovery made and meters installed be provided to Audit for verification. Compliance of DAC directives was awaited.
19.	9290	Civil Engineering Department, Lahore Division	September, 2018	22.69	The matter was taken up with the management in September 2018. Management replied that Rs 3,335/- per train per day was incurred. Therefore the train detention charges had been correctly charged to LDA. The remarks were not acceptable as train detention charges vide sub

					estimate No 5 was Rs 5843 per train per day.
20.	9091	Mechanical Department, Lahore	September, 2018	21.74	The matter was taken up with the management in September 2017 but no reply was received.
21.	9043	Works Manager/C&W Shop, Hyderabad	July, 2018	20.91	The matter was taken up with the management in July 2018 but no reply was received.
22.	8868	Deputy Director, P&L, Rawalpindi	February, 2018	20.47	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 30th July, 2018. DAC was informed that matter was actively being pursued with Education Department, Government of Punjab for early recovery of outstanding amount. Compliance of DAC directives was awaited.
23.	8919	Deputy Director, P&L, Rawalpindi	February, 2018	20.31	The matter was taken up with the management in February 2018 and also discussed in DAC meeting dated 11th and 12th October, 2018. DAC directed the PO that documentary evidence of court decisions in favor of Pakistan Railways and amount recovered be shared with Audit within one week for verification. Compliance of DAC directives was awaited.
24.	8885	Directorate of Legal Affairs, Lahore	April, 2017	19.75	The matter was taken up with the management in April 2017. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
25.	9090	Civil Engineering Department, Workshops Mughalpura Lahore	August, 2018	17.11	The matter was taken up with the management in September 2018 but no reply was received.
26.	9253	Directorate P& L, Lahore	February, 2018	16.09	The matter was taken up with the management in February 2018. Management replied that the godowns has already been vacated by Food Department since long. The remarks

					are not acceptable as the godowns were vacated in 2008 but no concrete efforts were made by the management to recovery the outstanding amount
27.	9016	Transportation Department, PR, Karachi	February, 2018	14.99	The matter was taken up with the management in February 2018 but no reply was received.
28.	8896	Divisional Commercial Officer, Karachi Division	April, 2017	14.15	The matter was taken up with the management in April 2017 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO to provide to Audit documentary evidence in support of amount recovered from 11 contractors against whom PR won the case for verification. DAC further directed that latest/up dated position of the court cases/disciplinary proceeding against responsible officials and efforts made for recovery/realisation of rental charges of Bill Boards be shared with Audit. Compliance of DAC directives was awaited.
29.	8967	Deputy Director, P&L, Rawalpindi	February, 2018	13.62	The matter was taken up with the land management in February 2018 and also discussed in DAC meeting held on 12th November, 2018. DAC was informed that issue of recovery of outstanding dues is being vigorously pursued with the elected management committee of Air Port Housing Society. However, due to murder of Secretary, Air Port Housing Society, the Management Committee has been suspended by District Co-operative Officer, Rawalpindi. The issue will be taken up with Air Port Housing Society when Management Committee is made functional. DAC directed the PO that matter may be pursued vigorously and progress of the same be shared with Audit.
30.	9006	Chief Marketing Manager, Lahore	February, 2018	12.34	The matter was taken up with the management in February 2018 but no reply was received.

31.	9108	Directorate P&L, Lahore	February, 2017	11.37	The matter was taken up with the management in February 2018 but no reply was received.
32.	8883	Chief Mechanical Engineer/Loco Lahore	August, 2017	11.35	The matter was taken up with the management in August 2018 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO that the amount on account of repair of traction motors may be deducted from the amount payable to contractor instead of adjustment from the bill of repair. Compliance of DAC directives was awaited.
33.	8867	Deputy Director, P&L, Rawalpindi	February, 2018	6.84	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 21st May, 2018. DAC directed the PO that matter be taken up with Highway Department for recovery of outstanding amount at the earliest and documentary evidence in support of recovered amount be shared with Audit for examination. DAC further directed that a meeting with NBP authorities be made by Member Finance for recovery of outstanding amount. Compliance of DAC directives was awaited.
34.	8871	Deputy Director, P&L, Quetta	February, 2018	6.51	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 30th July, 2018. DAC directed the PO that efforts be made for recovery of outstanding dues under intimation to Audit. Compliance of DAC directives was awaited.
35.	9170	Civil Engineering Department Sukkur	August, 2018	4.92	The matter was taken up with the management in August 2018 but no reply was received.
36.	8870	Deputy Director, P&L, Quetta	February, 2018	4.42	The matter was taken up with the management in February 2018. Management replied that detailed reply would be submitted after consulting the record but no reply was received.

37.	8738	Station Manager, Karachi Cantt	April, 2017	4.07	The matter was taken up with the management in April 2017 and also discussed in DAC meeting held on 30th July, 2018. DAC directed the PO as under: i) Write off statements may be submitted for approval of competent authority where amount is not recoverable. ii) Take up the matter with railway police about what action has been taken against SHO as directed by court. The case of decoity may be got alived. iii) In respect of Sr. 3 and 4 DAC directed to furnish a revised reply stating the clear facts along-with documentary evidence to Audit. iv) An inquiry be conducted by a committee comprising Dy.DS/Passenger Kyc, Dy. DS/Operation Kyc and DAO/Kyc to fix responsibility for irregular utilisation of railway earnings within 10 days. The amount involved may be credited to station earnings from relevant head of account under the rules. Compliance of DAC directives was awaited.
38.	9197	Deputy Director, P&L, Quetta	February, 2018	3.84	The matter was taken up with the management in February 2018. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
39.	9031	Civil Engineering Department, Peshawar	August, 2018	3.34	The matter was taken up with the management in August 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that an amount of Rs 16,65,969/- out of Rs 33,40,133/- have been recovered. The remaining amount i.e. Rs 16,74,164 will be recovered in due course of time. DAC directed the P.O that recovered amount may be got verified from

					Audit and efforts be made to recover the remaining amount under intimation to Audit. DAC further directed to furnish a revised reply along with documentary evidence regarding vacation of quarters occupied by outsiders and submit the status to Audit within one month. Compliance of DAC directives was awaited.
40.	9040	Station Master, Karachi Cantt	April, 2018	2.70	The matter was taken up with the management in May 2018 but no reply was received.
41.	9103	Civil Engineering Department Workshops, Mughalpura Lahore	August, 2018	2.23	The matter was taken up with the management in August 2018 but no reply was received.
42.	9069	Civil Engineering Department, Mughalpura	August, 2018	2.18	The matter was taken up with management in August 2018 but no reply was received.
43.	8869	Deputy Director, P&L, Quetta	February, 2018	2.01	The matter was taken up with management in February 2018 and also discussed in DAC meeting held on 30th July, 2018. DAC directed the PO that documentary evidence in respect of recovery of one year rent and security money equal to one year rent be furnished to Audit for examination. Audit verification revealed that objected amount is still recoverable from lessees.
44.	9020	Divisional Transportation and Divisional Commercial Officers, Lahore	April, 2018	1.70	The matter was taken up with the management in May 2018 but no reply was received.
45.	9354	Chief Commercial Manager, Lahore	February, 2018	1.70	The matter was taken up with the management in February 2018. Management replied that an amount of Rs 149,000 had been recovered from the concerned STEs and remaining amount would be recovered accordingly. The remarks

					were not acceptable as particulars of recovery were not provided to Audit despite several reminders. Further, the entire amount should have been recovered instead of a petty amount.
46.	9208	Directorate P& L, Lahore	January, 2018	1.66	The matter was taken up with the management in February 2018 but no reply was received.
47.	9033	Divisional Transportation and Divisional Commercial Officers, Quetta	March, 2017	1.55	The matter was taken up with the management in April 2017. Management replied that advertising company approached the court, hence Railway administration could not remove the bill boards before final verdict of the trial court. Progress of the court cases were not furnished to Audit.
48.	9077	Civil Engineering Department, Multan	August, 2018	1.09	The matter was taken up with the management in August 2018. Management replied that exact detention charges would be deducted after preparation of completion report which was under process. Progress of the recovery was not furnished to Audit.
49.	9136	Civil Engineering Department, Mughalpura Lahore	August, 2018	0.60	The matter was taken up with the management in August 2018. Management replied that efforts were being made to recover the outstanding amount. Progress of recovery was awaited.
50.	8953	Divisional Transportation and Divisional Commercial Officers, Peshawar	April, 2018	0.57	The matter was taken up with the management in April 2018. Management replied that SRP/Rawalpindi had been requested to get the room vacated and recover the outstanding amount from SHO concerned. Progress of the case was not furnished to Audit.
51.	9189	Station Manager, Karachi	April, 2018	0.38	The matter was taken up with the management in May 2018 but no reply was received.
52.	8975	Divisional Transportation and Divisional Commercial	April, 2018	0.36	The matter was taken up with the management in April 2018. Management replied that detailed reply would be submitted after consulting the record but no reply was

		Officers, Peshawar			received.
53.	9060	Carriage Factory, Islamabad	August, 2018	0.16	The matter was taken up with the management in August 2018. Management replied that promotion of the above official was made in the light of Esta-Code. The remarks were not acceptable as Esta-Code did not deal with the promotion of labourer who had no channel of promotion in the cadre of LDC.
Total				**6,621.41**	

Annexure – 9

Loss of potential earnings due to non-auction/construction/handing over the possession of shops and land

(Rs in million)

Sr.#	DP No.	Formation	Description	Amount	Remarks
1.	8921	Director P&L, Headquarters, Lahore	Non auction of shops, agricultural land and commercial plots	3,689.43	The matter was taken up with the management in February 2018. Management replied that detailed reply would be submitted after consulting the relevant record but no reply was received.
2.	8926	Deputy Director P&L, Multan	Non auction of land	80.50	The matter was taken up with the management in February 2018. Management replied that detailed reply would be submitted shortly but no reply was received.
3.	9010	Managing Director, REDAMCO	Non auction of shops	39.53	The matter was taken up with the management in April 2018 and also discussed in DAC meeting held on 4th January, 2019. DAC was informed that the matter regarding auction of shops held up as the case was pending in Supreme Court of Pakistan. DAC pended the para till the decision of Supreme Court of Pakistan. Progress of the court case was not furnished to Audit.
4.	8864	Deputy Director P&L, Quetta	Non re-auction of land	34.57	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 30th July, 2018. DAC was informed that petrol pumps at Joint Road, Quetta leased out to Shell and PSO were sealed due to non-payment of rent. The ex-lessee/ defaulters viz PSO & Shell had filed cases in the High Court/Baluchistan. The plans of the sites had already been sent to Managing Director/ REDAMCO. DAC directed the PO to investigate the matter of parking stand and fix responsibility against those

					found at fault. DAC further directed that latest status of the court case be also intimated to Audit. Compliance of DAC directives was awaited.
5.	8941	Director P&L, Headquarters, Lahore	Non handing over the possession of shops and stacking plots	18.09	The matter was taken up with the management in February 2018 but no reply was received.
6.	8939	Director P&L, Headquarters, Lahore	Non re-auction of stacking plots	5.98	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that auction for stacking were held time to time but the highest bids offered were below the bench mark thus the same were filed. In other case, after completion of lease period, the lessee did not vacate the plot and filed petition in Lahore High Court, Multan Bench. After last hearing on 28-03-2016, the date had been fixed for hearing. Compliance of DAC directives was awaited.
7.	8976	Deputy Director P&L, Lahore	unjustified cancellation of bid/Non auction of shops	3.02	The matter was taken up with the management in February 2018. Management replied that bids were cancelled due to poor participation and low rates. The remarks were not acceptable as three bidders participated in the auction and highest bids were also above the base price. Further the progress regarding auction of shops was not furnished to Audit.
8.	8945	Deputy Director P&L, Workshops Division Moghalpura	Non construction of shops	2.92	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that 333 Nos shops were required to be constructed, out of which 308 shops were completed and balance 25 shops will be

					constructed during Financial Year 2018-19.DAC directed the P.O that all relevant record including rental agreement and recovery of rent may be shared with Audit. Compliance of DAC directives was awaited.
9.	9135	Deputy Director P&L, Sukkur	Non construction of shops	1.14	The matter was taken up with the management in February 2018 but no reply was received.
Total				**3,875.18**	

Annexure - 10

Non-recovery of outstanding dues on account of maintenance/operational charges of sidings and level crossings

(Rs in million)

Sr. #	DP No.	Formation	Recoverable from	Amount	Remarks
1.	8888	Divisional Account Office, Lahore	Government Departments and private bodies	1,548	The matter was taken up with the management in October 2017 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC was informed that Rs 420 million out of Rs 1,548 million had been adjusted/realized during the year 2017-18. Further efforts were being made for recoveries of remaining amount. DAC directed the P.O that the recovered /realized amount be got verified from Audit within a week. DAC further directed that efforts for remaining recoverable amounts be expedited under intimation to Audit. Audit has verified only Rs 178.118 million had been verified by Audit and remaining amount of Rs 1,369.88 million was still recoverable.
2.	9030	Civil Engineer Department, HQ, Lahore	Military Authorities	53.22	The matter was taken up with the management in July 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that all out efforts were being made for realisation of outstanding dues as soon as the amount would be recovered, Audit would be informed accordingly. DAC directed the P.O all outstanding siding charges against Defense Department be worked out and concrete efforts be made to recover the outstanding siding charges from Military authorities through Financial Adjustor under intimation to Audit. Compliance of DAC directives were awaited.
3.	9021	Civil Engineering Department, Sukkur	Government Departments and private bodies	50.85	The matter was taken up with the management in August 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed

					that an amount of Rs. 4.883 million out of Rs.50.854 million had been recovered from various Government Departments and Private bodies. Further, efforts were being made to recover the remaining outstanding amount. DAC directed the P.O that recovered amount be got verified from Audit and concrete efforts be made for recovery of remaining outstanding amount under intimation to Audit. Compliance of DAC directives were awaited.
4.	9045	Civil Engineering Department, Peshawar	Government Departments and private bodies etc	180.08	The matter was taken up with the management in August 2018. Management replied that all out efforts were being made for realisation of outstanding dues as soon as the amount would be recovered, Audit would be informed accordingly. Progress of the cases was not furnished to Audit.
5.	9065	Civil Engineering Department Rawalpindi	Government Departments and private bodies etc	40.80	The matter was taken up with the management in August 2018. Management replied that all out efforts were being made for realisation of outstanding dues. Progress of the cases was not furnished to Audit.
6.	9117	Civil Engineering Department, Multan	Government Departments and private bodies	22.36	The matter was taken up with the management in August 2018. Management replied that all out efforts were being made for realisation of outstanding dues. Progress of the cases was not furnished to Audit.
7.	9138	Civil Engineering Department, Karachi	Private individual	1.20	The matter was taken up with the management in August 2018. Management replied that supervision/departmental charges had been recovered and would be furnished to Audit as and when required. The remarks were not acceptable as documentary evidence in support of recovery was not furnished to Audit.
8.	9190	Transportation Department, Karachi	WAPDA	0.45	The matter was taken up with the management in February 2018 but no reply was received.
9.	9223	Civil Engineering Department,	Government Departments	639.35	The matter was taken up with the management in July 2018. Management replied that efforts were being made for

		Lahore			realisation of outstanding dues. Progress of the cases was not furnished to Audit.
10.	9360	Civil Engineering Department, Lahore	Autonomous bodies and various Government departments	101.73	The matter was taken up with the management in September 2018. Management replied that constant efforts were being made to recover the outstanding dues. Progress of the cases was not furnished to Audit.
Total				**2,638.04**	

Annexure - 11

Non-deduction of withholding income tax and GST

(Rs in million)

Sr.#	DP No.	Formation	Amount	Type of tax	Remarks
1.	9011	Chief Marketing Manager, Lahore	171.52	Withholding income tax	The matter was taken up with the management in February2018 but no reply was received.
2.	8971	Chief Commercial Manager, Lahore	120.80	Withholding income tax	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that the contractor had challenged the applicability of WHT on outsource of trains in Lahore High Court. On receipt of court decision the matter of withholding tax would be dealt according to court orders. DAC directed the P.O that relevant documents may be shared with Audit and the court case be pursued vigorously. Compliance of DAC directives was awaited.
3.	9313	Mechanical Department, Lahore	35.06	Punjab Sales Tax	The matter was taken up with the management in October 2018. Management replied that as per contract agreement, DME-III was only responsible for any deductions from the commercial invoice submitted by the firm and forwarded the same to Dy. CME/Diesel for final approval. Moreover, all other matters regarding payment or deductions were to be dealt by HQ office. The remarks were not acceptable as management failed to deduct the tax which caused loss to Government
4.	9068	Civil Engineering Workshops, Mughalpura	14.88	Withholding income tax	The matter was taken up with the management in August 2018 but no reply was received.
5.	8965	Deputy Director P&L, Sukkur	10.73	Withholding income tax	The matter was taken up with the management in February 2018 but no reply was received.
6.	9257	AO/Project, HQ, Lahore	9.92	General Sales Tax	The matter was taken up with the management in October 2018 but no reply was received.

7.	8872	Deputy Director P&L, Quetta	6.20	Withholding income tax	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 12th November, 2018. DAC directed the PO that documentary evidence regarding payment of withholding income tax by the contractor may be furnished to Audit for examination. Compliance of DAC directives was awaited.
8.	9196	Divisional Commercial and Transportation officer, Lahore	2.67	General Sales Tax	The matter was taken up with the management in May 2018. Management replied that as per Director legal Affairs headquarters office Lahore, the GST was not levied on such contract as parking stands as they did not fall within the scope of Sales Tax Act, 1990.The reply was not satisfactory as levy of 17 % GST was not only required under the tax rules but also provided in agreements with contractors.
9.	9343	General Store Depot, Mughalpura Lahore	2.15	General Sales Tax	The matter was taken up with the management in November 2018. Management replied that at the time of issuance of sales order the said SRO was not issued. The remarks were not acceptable as SRO was applicable w.e.f. 26.06.2014 and sales order was placed on 11.11.2014.
10.	9003	Divisional Commercial and Transportation officer, Karachi	1.80	Withholding income tax	The matter was taken up with the management in February 2018 but no reply was received.
11.	9028	Divisional Commercial and Transportation officer, Rawalpindi	1.73	Withholding income tax	The matter was taken up with the management in April 2018. Management replied that the policy is silent about deduction of withholding tax. The reply was not acceptable as per Income Ordinance 2001 and agreement executed between PR and contractor, the licensee was responsible to pay all taxes.
12.	9035	Civil Engineering, Multan	1.54	General Sales Tax	The matter was taken up with the management in August 2018 but no reply was received.
13.	9048	Deputy General Manager, Lahore	1.00	General Sales Tax	The matter was taken up with the management in September 2018. Management replied that material was

					purchased in urgency. The remarks are not acceptable as being a withholding agent, it was the responsibility of PR to deducted the sales tax.
Total			**380.00**		

Annexure - 12

Loss due to award of contracts at exorbitant rates

(Rs in million)

Sr.#	DP No.	Formation	Amount of loss	Remarks
1.	9234	Pakistan Railway Freight Transportation Company	63.00	The matter was taken up with the management in March 2018. Management replied that the contract with M/s. Al-Sharif Construction Co was not only to supply and stack the ballast but also to spread 8" thickness of the ballast on newly constructed Railway embankment. The remarks were not acceptable as award of contract at higher rate of Rs 30/cft merely for spreading of ballast was not justified.
2.	9112	Chief Controller of Purchase, Lahore	55.95	The matter was taken up with management in September 2018 but no reply was received.
3.	9116	REDAMCO	13.59	The matter was taken up with the management in April 2018. Management replied that the estimates were framed on 250% above CSR-2003. However, tender committee recommended the lowest rates offered for construction of shops and the competent authority approved the same. The remarks were not acceptable as the rates should not be more than 250% above CSR-2003.
4.	9179	Civil Engineering Department, Peshawar	12.91	The matter was taken up with management in August 2018 but no reply was received.
5.	9172	Civil Engineering Department, Peshawar	5.81	The matter was taken up with management in August 2018 but no reply was received.
6.	9049	Civil Engineering Department, Quetta	0.99	The matter was taken up with management in July 2018 but no reply was received.
		Total	**152.25**	

Annexure - 13

Loss of potential earnings due to non-auction of vending stalls/parking stands

(Rs in million)

Sr.#	DP No.	Formation	Description	Amount	Remarks
1.	8950	Divisional Transportation and Divisional Commercial Officers, Multan	Non re-auction of vending stalls	89.98	The matter was taken up with the management in April 2018 and also discussed in DAC meeting held on 14th December, 2018. DAC was informed that all out efforts were being made to auction of the vending stall. DAC directed the P.O that efforts may be made for re- auction of vending stall and documentary evidence in support of efforts made be shared with Audit within fifteen days. Compliance of DAC directives was awaited.
2.	8966	Divisional Transportation and Divisional Commercial Officers, Lahore	Non re-auction of vending stalls	12.42	The matter was taken up with the management in May 2018. Management replied that the stalls had been auctioned. However, some closed stalls were not auctioned due to low rate or there were no offers/bids against those stalls. The remarks were not acceptable as no documentary evidence in support of auctioned stalls and efforts made to auction the remaining stalls were furnished to Audit.
3.	8938	Divisional Transportation and Divisional Commercial Officers, Sukkur	Non re-auction of vending stalls and car parking stand	11.01	The matter was taken up with the management in April 2018 but no reply was received.
4.	8962	Divisional Transportation and Divisional Commercial Officers, Lahore	Non re-auction of parking stands	6.99	The matter was taken up with the management in May 2018. Management replied that policy of parking stands had been revised by Headquarters Office on 23.01.2017 and steps were being taken to implement this

					policy. The remarks were not acceptable as no documentary evidence in support of efforts made to auction the parking stands were furnished to Audit.
5.	9019	Railway Station Multan Cantt	Non re-auction of restaurant	3.67	The matter was taken up with the management in April 2018but no reply was received.
Total				**124.07**	

Annexure - 14

Detail of Encroached land

(Rs in million)

Sr.#	DP No.	Formation	Area under encroachment	Cost of Land under encroachment	Remarks
1.	8895	Deputy Director, P&L, Rawalpindi	24.79 acre	4,758.91	The matter was taken up with the management in June 2017 and also discussed in DAC meeting held on 30th July, 2018. DAC was informed that the matter was under investigation with NAB, departmental inquires and surveys had been carried out. DAC directed the PO that updated position along-with inquiry Report be provided to Audit for examination. DAC further directed that case be followed properly in NAB. Compliance of DAC directives was awaited.
2.	8929	Directorate P&L, Lahore	46.06 acres	700.06	The matter was taken up with management in February 2018 and also discussed in DAC meeting held on 11th and 12th October, 2018. DAC directed the PO to provide updated status of court case to Audit. Compliance of DAC directives was awaited.
3.	9362	Civil Engineering Department, Lahore	73.28 acres	120.56	The matter was taken up with the management in September 2018 but no reply was received.
4.	9254	Deputy Director, P&L, Peshawar	48 shops	102.35	The matter was taken up with the management in February 2018 but no reply was received.
5.	9358	Deputy Director, P&L, Lahore Division	37.46 acres	74.93	The matter was taken up with the management in February 2018. Management replied that three Draft Paras (DP NO. 8671, 4677 and 7726) had already been issued on the subject land. The remarks were not acceptable as amount in question was not covered under any of the above DP pointed out by management.

6.	8875	Deputy Director, P&L, Lahore Division	0.95 acres	30.28	The matter was taken up with management in February 2018 and also discussed in DAC meeting held on 30th July, 2018. DAC was informed that the matter was processed in the light of Remedial Management Policy approved by Headquarter Office. The IOW/Kasur contacted the encroacher for the submission of willingness for regularization process but he flately refused to submit willingness. Therefore an anti-encroachment operation was scheduled on 20-02-2016, but could not be carried out due to non-availability/lack of sufficient police force. DAC directed the PO that an inquiry be conducted to fix responsibility against those who failed to save the assets of Pakistan Railways and did not restrict the encroachers from construction of shops and submit report to Audit within 10 days. Compliance of DAC directives was awaited.
7.	9219	Deputy Director, P&L, Sukkur	0.34 acres	18.52	The matter was taken up with the management in February 2018 but no reply was received.
8.	9272	Deputy Director, P&L, Sukkur	12 Shops	12.09	The matter was taken up with the management in February 2018 but no reply was received.
9.	9027	Divisional Engineer, Workshops Division, MGPR, Lahore	0.23 acres	11.22	The matter was taken up with the management in August 2018. Management replied that efforts were being made to remove encroachment. Progress of the case was not furnished.
10.	9251	Deputy Director, P&L, Multan	0.009 acres	10.45	The matter was taken up with the management in February 2018 but no reply was received.
11.	8876	Deputy Director, P&L,	0.05 acres	8.48	The matter was taken up with management in February 2018 and also discussed in DAC meeting held

		Lahore Division			on 30th July, 2018. DAC showed displeasure on non-pursuing the case properly and directed the PO to pursue the case vigorously. DAC further directed the Divisional Superintendent/Lahore to approach Commissioner Gujranwala Division to finalise the matter at an early date under intimation to Audit. Compliance of DAC directives was awaited.
12.	8958	Directorate P&L, Lahore	0.21 acre	2.66	The matter was taken up with the management in February 2018 but no reply was received.
13.	8874	Deputy Director, P&L, Lahore Division	0.14 acre	2.31	The matter was taken up with the management in February 2018 and also discussed in DAC meeting held on 30th July, 2018. DAC directed the PO that efforts regarding transfer of title of land in favour of Railways in Punjab and Sindh Province be expedited. Compliance of DAC directives was awaited.
Total				**5,852.82**	

Annexure - 15

Loss due to non-replacement of wrong/defective material

(Rs in million)

Sr. #	DP No.	Formation	Description	Amount	Remarks
1.	9051	Chief Controller of Purchase, Lahore	Coil with Pole piece exciting/commutating, Armature rewinding kit, Crank shaft, Connector and Oil dumpers etc.	136.28	The matter was taken up with the management in September 2018. Management replied that cases were under pursuance and final outcome would be intimated to Audit. Progress of the cases was not furnished to Audit.
2.	9229	Mechanical Department, Workshops Division, Mughalpura, Lahore	Coils of Traction Motors	93.36	The matter was taken up with the Management in September 2018. Management replied that detailed reply would be submitted after consulting the record but no reply was received.
3.	9228	Mechanical Department, Karachi	Traction Motors	81.52	The matter was taken up with the Management in September 2018. Management replied that traction motors had been returned to the supplier for replacement. The remarks were not acceptable as defective traction motors were not replaced.
4.	9340	Mechanical Department, Karachi	Load Control Rereostate, Magnetic Switch, Control Assy, Power Pack Blade & Fork, Line Assy Fuel High Pressure Tube, Register ASM and STA Contactor	79.29	The matter was taken up with the management in September 2018. Management replied that warranty claims would be settled soon. Progress of the cases was not furnished to Audit.
5.	9368	Chief Controller of Purchase,	Armature Assembly	65.26	The matter was taken up with the management in August 2018. Management replied that to recover the amount, Pakistan

		Lahore			Railways was encashing all the Bank Guarantees of the firm available with CCP Office. The remarks were not acceptable because documentary evidence in support of recovering the amount of defective material by encashing bank guarantees was not furnished.
6.	9220	Mechanical Department, Workshops Division, Mughalpura, Lahore	Axles finished machines	20.91	The matter was taken up with the Management in September 2018. Management replied that the firm had been asked to replace the material. Progress of the cases was not furnished to Audit.
7.	9175	Mechanical Department, Headquarters Office, Lahore	Air compressor of ZCU-20 DE locomotives	8.64	The matter was taken up with the management in September 2018 but no reply was received.
8.	9073	Mechanical Department, Workshops Division, Mughalpura, Lahore	Hardening Box type Furnace	2.64	The matter was taken up with management in September 2018. Management replied that the firm had already been apprised for replacement of said furnace. Progress of the cases was not furnished to Audit.
9.	9134	Mechanical Department, Workshops Division, Mughalpura, Lahore	Cylindrical Roller Bearing and Hard Coke	1.51	The matter was taken up with the management in September 2018 but no reply was received.
Total				**489.41**	

Annexure - 16

Irregular award of contract agreement due to non-receipt of performance security

(Rs in million)

Sr. #	DP No.	Formation	Period of Audit	Amount	Remarks
1.	8620	Project Director Track Rehabilitation Khanpur - Lodhran Section	August, 2017	29.95	The matter was taken up with the management in August 2017 but no reply was received.
2.	9266	Civil Engineering Department, Lahore	September, 2018	22.85	The matter was taken up with the management in September 2018. Management replied that in future method would be adopted as per PEC forms. The remarks were not acceptable as performance security should have been collected as per rules.
3.	9056	Civil Engineering Department, Karachi	August, 2018	17.89	The matter was taken up with the management in August 2017. Management replied that performance security would be recovered. The remarks were not acceptable as the management did not follow the PPRA Rules, 2004 in this regard.
4.	9275	Divisional Electric Engineering, Karachi	October, 2018	5.52	The matter was taken up with the management in November 2018. Management replied that as per practice tenders were accepted on the basis of earnest money deposited by contractors. However 10% security was deducted from running bills. The remarks were not acceptable as per PPRA Rules, 2004 performance guarantee should have been collected in advance in lump sum.
5.	9198	Civil Engineering Department, Karachi	August, 2018	5.05	The matter was discussed with the management in August 2018.Management replied that 10% performance security had already been deducted from each running bills. The remarks were not acceptable as per PPRA Rules, 2004

					performance guarantee should have been collected in advance in lump sum.
6.	9081	Civil Engineering Department, Karachi	August, 2018	2.94	The matter was discussed with the management in August 2018. Management replied that 10% performance security had already been deducted from each running bills. The remarks were not acceptable as per PPRA Rules, 2004 performance guarantee should have been collected in advance in lump sum.
7.	9167	AO/Project, Headquarter, Lahore	April, 2017	2.35	The matter was taken up with the management in October 2018 but no reply was received.
8.	9346	Civil Engineering Department, Mughalpura, Lahore	August, 2018	0.42	The matter was taken up with the management in August 2018. Management replied that procedure order regarding depositing performance security was being adopted. The remarks were not acceptable as performance security should have been collected as per rules.
Total				**86.97**	